

SBA LOAN PROGRAMS

HEARINGS BEFORE THE COMMITTEE ON SMALL BUSINESS HOUSE OF REPRESENTATIVES ONE HUNDRED FIRST CONGRESS FIRST SESSION

WASHINGTON, DC, JULY 19 AND 26, 1989

Printed for the use of the Committee on Small Business

Serial No. 101-16



U.S. GOVERNMENT PRINTING OFFICE

21-345

WASHINGTON : 1989

For sale by the Superintendent of Documents, Congressional Sales Office
U.S. Government Printing Office, Washington, DC 20402

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SBA LOAN PROGRAMS

WEDNESDAY, JULY 19, 1989

HOUSE OF REPRESENTATIVES,
COMMITTEE ON SMALL BUSINESS,
Washington, DC.

The committee met, pursuant to notice, at 10:30 a.m., in room 2359-A, Rayburn House Office Building, Washington, DC, Hon. John J. LaFalce (chairman of the committee) presiding.

Chairman LAFALCE. The Small Business Committee will come to order.

The principal focus of today's hearing is the future of the 7(a) Guaranteed Loan Program which has seen some severe budgetary swings during the 1980's.

Today, the demand for guaranteed loans is on the upswing. The future of the SBA is no longer in question as it was during the Reagan administration, and banks are establishing SBA departments as a part of normal business lending, as they recognize that decent profit margins can be made.

Many times in the past, lenders simply regarded SBA loans as a community service which they had to endure. That's no longer true.

Unfortunately, this new demand for 7(a) loans conflicts with budgetary constraints which necessitate a reduction in the loan guarantee program. Thus, we must make some major decisions.

To me the key issue is how much must SBA and the small business community which it serves contribute in the name of deficit reduction? Haven't we already gone overboard in SBA budget cuts?

There are very few members in this committee who were here in 1980, so let me remind everyone that in 1981 the U.S. Congress appropriated \$4 billion for guaranteed loans and another \$219 million in direct loans under 7(a). This compares with \$2.4 billion in guarantees and \$87 million in direct loans appropriated last fall for fiscal year 1989, and that does not even make an adjustment for inflation.

Due to the surge in guaranteed loan demand, SBA was in danger of running out of guarantee authority in December, and so, the agency closed its loan window until January when its quarterly allocation was released by the Office of Management and Budget.

The SBA, in the light of continued high demand, then took steps to ration credit. It prohibited the use of new loan proceeds to repay existing indebtedness.

In the meantime, Congress addressed the issue from a different direction. The House instructed SBA to shift funds from two other programs which had a lower demand.

Agreement was finally reached with OMB and \$200 million was shifted to 7(a) guaranteed loans, bringing the 1989 level to \$2.6 billion. This in turn encouraged SBA to relax, but not eliminate, the restriction on repayment of indebtedness with new loan money.

In addition to this shifting of funds, we sought to increase the total. This was not possible, however, due to Gramm-Rudman credit limitations.

The demand for loan guarantees remains high, and we sought an increase for 1990. Again, the Gramm-Rudman process blocked our efforts. In fact, it not only stopped an increase, but last week it actually forced a cut of almost 4 percent in the amount approved by SBA's appropriations subcommittee in the House.

Maybe this can be changed by finding offsetting cuts in programs of other agencies. Maybe not.

In any event, we have asked SBA to testify today on the current and anticipated demands for guarantees and on its relationship to what is in the budget. If there is to be a shortfall, how are they proposing to manage it?

These matters are closely related to the goals and priorities of the new Administrator, Susan Engeleiter, who was sworn in May 1st. We had hoped to hear from her, but we decided to accommodate Administrator Engeleiter's reasonable request for a delay until September to permit her to complete evaluating and formalizing her goals and objectives.

Possibly, this would be the time to express my concern that nothing be left undone which would promote the delivery of guaranteed loans. I understand that two organizations requested the transfer to them of existing but inactive licenses as small business nonbank guaranteed lenders. The addition of two potential national lenders could be very beneficial to the small business community, and I am very pleased that Administrator Engeleiter has decided to consider the transfer requests, providing, of course, that the applicants are qualified as nonbank lenders.

This morning we are pleased to commence our hearing process with testimony from Mr. Ed Holloway, the Associate Administrator for Finance and Investment. Ed has held this position for many years, and we could not have asked for a more knowledgeable person to discuss this very serious problem. He has appeared before us many times, and we welcome him again.

He is accompanied by Mr. Hertzberg and Mr. Rosenbaum. We welcome you also, gentlemen.

At this time, I would like unanimous consent to insert into the record the opening remarks of the Honorables Joseph McDade and Sylvio O. Conte.

Without objection, so ordered.

[Mr. McDade and Mr. Conte's opening statement may be found in the appendix.]

Chairman LAFALCE. Are there any other members who have any statement they would like to make before we proceed?

If not, Mr. Holloway, please proceed.

TESTIMONY OF EDWIN T. HOLLOWAY, ASSOCIATE ADMINISTRATOR FOR FINANCE AND INVESTMENT, U.S. SMALL BUSINESS ADMINISTRATION, ACCOMPANIED BY LAWRENCE R. ROSENBAUM, COMPTROLLER, AND CHARLES R. HERTZBERG, DEPUTY ASSOCIATE ADMINISTRATOR FOR FINANCIAL ASSISTANCE

Mr. HOLLOWAY. Thank you, Mr. Chairman, and distinguished members of the committee.

I wish to thank you for the opportunity to appear here today. As the chairman has already pointed out, I am accompanied by Lawrence R. Rosenbaum, our Comptroller, and Charles R. Hertzberg, our Deputy Associate Administrator for Financial Assistance.

I have organized my prepared testimony according to the subjects you asked the agency to address in your July 11 letter of invitation.

Let me first turn to the budgetary situation. In fiscal 1988, in the General Business category, loan guaranty demand exceeded appropriated funds at the close of the year. This rate of demand continued into fiscal 1989, and it was apparent in the first quarter that the program level provided in our current appropriation would be insufficient to meet the demand.

There were several likely reasons for this dramatic growth in guaranty demand. One reason, of course, was an increase in the statutory limit on SBA guarantees in August 1988 from \$500,000 to \$750,000 through a provision in the International Trade Act. Other likely factors include a strong economy; the growing popularity of the secondary market; and finally, an acceptance of the fact that the Small Business Administration would remain in place and that its programs would continue to operate.

Because of the shortfall, it was necessary to limit fund usage in several ways late in the first quarter of fiscal year 1989. The most significant was a restriction on the use of proceeds in the repayment of existing debt.

The funding insufficiency was addressed late in the second quarter through a reprogramming which increased the funding level from \$2.4 billion to \$2.6 billion. This has enabled us to get into the fourth quarter without a shortfall.

With the approval of the reprogramming, restrictions on debt payment was substantially eased. Copies of the notices to our field offices are attached to my prepared statement.

The dramatic growth in loan demand thus far does not reflect the effect of any of the several statutory additions to agency authority other than the guaranty ceiling increase to \$750,000.

In August 1988, the International Trade Act further raised the guaranty ceiling to \$1 million for fixed assets and an additional \$250,000 for working capital where an eligible small business would be involved in or has been adversely affected by international trade.

Final regulations have recently been published for this program, and it is now in effect. While it is certain to have an effect on loan demand, it is too early to know the magnitude of that effect.

With new authorities in full operation, 7(a) demand levels could very well exceed the adjusted fiscal 1989 level of \$2.6 billion. With this in mind, SBA will revise its fiscal 1990 request from \$2.4 bil-

lion to the fully authorized level of \$2.9 billion in exchange for other administration proposals. This is a \$500 million increase over the original 1989 level and a \$300 million increase over the current level for 1989.

The Development Company Program level for fiscal 1989 is \$365 million after the reprogramming. This includes both the 502 and the 504 Loan Programs. This program level will be adequate for fiscal 1989. As of June 30, 1989, 904 loans had been approved for \$273 million. At the present rate, we will fully utilize the appropriated level for 1989. A level of \$232 million has been requested for 1990.

Mr. Chairman, that completes my abbreviated statement. I would ask that our entire statement be entered into the record, but in the interest of time, at this point, I would try to answer any questions that you may have.

Chairman LAFALCE. Why do you not continue to discuss the implementation of financial aspects of the SBA Reauthorization Act?

Mr. HOLLOWAY. I will be glad to do that, sir.

Turning next to SBA's implementation of the financial aspects of the SBA Reauthorization and Amendment Act, Public Law 100-590. This was signed into law in November 1988 and provided for a number of program changes and additions. The following is the requested status report on various provisions of that act.

The Small Loan Program, actually section 102. Our statement erroneously has 101. The act created a new program under which certified and preferred lenders may retain one-half of the 2 percent loan guaranty fee on loans of \$50,000 or less. Cost of processing and servicing a small business loan does not vary much with loan size. But lender income is proportionate to the size of the loan. Therefore, smaller commercial loans tend to be less profitable. The aim of this provision is to increase lenders' willingness to make small loans by making it more profitable for them to do so.

The program also calls for a simplification of the forms used in the applications of such loans. Proposed regulations have been issued and comments have been received and analyzed. After additional discussion with the staff of this committee, final regulations have been completed and are in the clearance process for publication.

As far as the PLP guaranty percentage, section 103, the differential in the percentage guaranty between the Preferred Lender Program and the other loans is limited to 5 percentage points by the Reauthorization Act. Proposed regulations have been issued which would implement this requirement with respect to loans in excess of \$155,000 and would prohibit the sale of any part of the unguaranteed portion. The proposal eliminates PLP eligibility loans of \$155,000 or less. The comment period expired on June 19. A substantial number of comments were received on this proposal and are now being reviewed and analyzed.

A data system to evaluate the effectiveness of SBA programs, section 109 requirement, its status is as follows: A partial report, focusing on the 7(a) Loan Guaranty Program, has been prepared and will be presented to Congress in the very near future. Additional information focusing on SBA's other programs will be provided at a later date.

On the requirement for a report on the source of income of certified development companies, section 117(c), a report has been prepared and generally approved by OMB with one exception. That one remaining issue is under discussion with OMB to be resolved shortly at which point the report will be forwarded to the committee.

There is also a request for a report analyzing the financing sources for the service sector of the economy, section 125. This report is to be prepared by the Office of Advocacy and was due on June 1. The Administrator wrote the chairman on June 12 that completion has been held up by uncontrollable delays in producing the data necessary for the report, and a copy of her letter is attached to our statement.

That completes the balance of the specifics of the Reauthorization Act, Mr. Chairman.

Chairman LAFALCE. Why do you not continue regarding licenses of inactive small business lending companies.

Mr. HOLLOWAY. Turning to the licenses of inactive small business lending companies, the Small Business Lending Company Program was commenced in the early 1970's and regulations and operating standards were established. Because of a lack of regulatory resources, in August 1981 notice was published in the Federal Register stating our intent to close the program to additional entrants.

On January 4, 1982, a notice was published declaring that applications for SBLC status would no longer be accepted, but that those on hand would be processed to completion.

Of the 16 licensed SBLC's, 8 have been inactive, with 4 of them never having made a single loan. In the past several years, several requests were received from applicants seeking SBLC status. All were denied.

On October 26, 1987, we published a notice in the Federal Register expressing our intent to cancel inactive licenses. Initial decisions to revoke the licenses of inactive lenders have been issued by the SBA Office of Hearings and Appeals in the cases of the four totally inactive SBLC's. Two have chosen not to appeal. In the case of Merrill Lynch, sought by the National Association of Development Companies Group, and General Electric, requested by the National Development Council Group, the time period in which to file an appeal does not expire until late July.

Prior to the expiration of the appeal period in those cases, the issue was brought to the Administrator's attention. Upon review of the background of these cases, she indicated to the applicants that the agency would interpose no objection to the appeals of the revocation decisions and would consider the transfers favorably if, upon review, the applications were found acceptable.

Mr. Chairman, this completes my prepared testimony.

I will be pleased to respond to any questions.

Chairman LAFALCE. Thank you.

[Mr. Holloway's statement, with attachments, may be found in the appendix.]

Chairman LAFALCE. On page 2 of your testimony you indicate that there are a number of factors responsible for the dramatic growth in guaranty authority: A strong economy; a growing popularity of the secondary market; acceptance of the fact that the

Small Business Administration will remain in place and that its programs will continue to operate; and possibly an increase in the statutory limit from \$500,000 to \$750,000.

Of the total amount of SBA's guarantees, how much would be attributable to the increase from \$500,000 to \$750,000?

Mr. HOLLOWAY. Mr. Chairman, I believe that was around \$140 million.

Chairman LAFALCE. Out of how much?

Mr. HOLLOWAY. Well, out of a total figure for 1989 was \$2.421.

Chairman LAFALCE. Billion?

Mr. HOLLOWAY. \$2.421 billion; yes, sir.

Chairman LAFALCE. All right. I mean that statutory reason was a relatively insignificant amount. You say \$140 million—

Mr. HOLLOWAY. Around \$140 million.

Chairman LAFALCE. Yes; and that's the total amount of the loans or is that the difference between \$500,000 and \$750,000?

Mr. HOLLOWAY. I believe that's the total amount of the loans, Mr. Chairman.

Chairman LAFALCE. Well, then, how much would the difference be between \$500,000 and \$750,000?

Mr. HOLLOWAY. Your point is well taken, Mr. Chairman. It would not be a large difference.

Chairman LAFALCE. No; I would assume it would be one-third of \$140 million.

Mr. HOLLOWAY. That's probably a good estimation.

Chairman LAFALCE. OK. So, we are talking at most \$50 million out of \$2.4—or as it is now, \$2.6 billion. I mean I just do not think that is a major reason. I suggest that there are other reasons for such a great increase in demand.

Now, on page 3, when were the final regulations promulgated with respect to the August 1988 International Trade Act increase?

Mr. HOLLOWAY. The final regulations, sir, were published on June 5.

Chairman LAFALCE. So, they are now in effect.

Mr. HOLLOWAY. Yes, sir.

Chairman LAFALCE. OK. Was there any reason it took so long to go from August 1988 to June 5?

Mr. HOLLOWAY. Well, there are, Mr. Chairman, a variety of initiatives underway. The rules, of course, have to be generated. They have to be proposed first, cleared through the agency, cleared through the Office of Management and Budget, published. You get comments then within 60 days, consider and analyze the comments, revise the regulations, again, clear it through the agency, and again, clear it through the OMB, and publish it in the Federal Register.

So, it is a rather extensive process.

Chairman LAFALCE. I understand that it has been. I do not know that it really has to be all that extensive and all that time consuming. It is relatively simple, I think, and I just think in the future when we have to implement things, it really should not take approximately a year from the date of passage.

On page 4 you indicate that SBA is going to revise its fiscal 1990 request from \$2.4 billion to \$2.9 billion.

I have a couple of questions there. First of all, what do you project as the anticipated demand? I have heard from some individuals that they expect the anticipated demand to be at least \$3.4 billion. Do you have projections of anticipated demand?

Mr. HOLLOWAY. We do not have a projection per se, Mr. Chairman. But we feel that it certainly could exceed the \$2.6 billion that we had available this year after the reprogramming and perhaps could be as high as \$2.9 billion.

However——

Chairman LAFALCE. But do you not think that it is appropriate for an agency such as SBA to have figures with respect to projected demand?

Mr. HOLLOWAY. The Comptroller indicates to me he has the response on that.

Chairman LAFALCE. All right, fine.

Mr. ROSENBAUM. Mr. Chairman, we have been looking at the growth of the 7(a) Guaranty Program since the decision not to move the agency over to Commerce or in other locations.

We saw that the growth over the last 3 years has gone up by about 5 to 7 percent each year. The \$2.9 million increase or the \$500 million increase of \$2.9 million, brought it to the authorized level. Feeling that it would be very difficult to justify anything higher than that at the time given that the demand is so much a function of the economy, we thought that would be a reasonable number.

Chairman LAFALCE. I am not quarreling with the reasonableness of the number at all. I am just asking if your agency makes projections with respect to demand.

Mr. ROSENBAUM. We do look at projections based on historical factors. Demand is very difficult to——

Chairman LAFALCE. Well, have you made a projection for fiscal year 1990 or not?

Mr. ROSENBAUM. Yes; we have.

Chairman LAFALCE. What is your projection?

Mr. ROSENBAUM. \$2.9 billion.

Chairman LAFALCE. Well, that is really your request.

Mr. ROSENBAUM. That is our best guess at this time, Mr. Chairman.

Chairman LAFALCE. All right. You would not quarrel with groups that said that it is really going to be at least a demand of around \$3.4 billion, would you?

Mr. ROSENBAUM. I would not quarrel. But by the same token, I am not sure in looking—I have seen some of their projections, and I am not sure how substantial they are either.

Chairman LAFALCE. OK. There is a concern in my mind not only about that aspect of it, but also about the second half of your sentence, Mr. Holloway, where you say that the SBA will revise its fiscal 1990 request to \$2.9 billion in exchange for other administration proposals.

What does that mean?

Mr. HOLLOWAY. Mr. Chairman, Administrator Engeleiter negotiated with OMB and reached an agreement that if we could get rid of the direct loans, the OMB would support an increase in the guaranty level.

We have long believed and consistently for many years taken the position that we should eliminate the direct loan program, and if we can do the job with the guaranty program and, in fact, with the same amount of money, we can do several times as many loans.

Chairman LAFALCE. Well, in other words, you are saying that SBA is calling for the elimination of the loans of the disadvantaged businesses, minority businesses, businesses owned and run by the handicapped, businesses owned and run by veterans. Is that correct?

Mr. HOLLOWAY. We are proposing in the 1990 budget, Mr. Chairman, to accommodate those needs to the extent that we can through a guaranty program rather than through a direct program.

Chairman LAFALCE. Oh, come on, Mr. Holloway. You do not have to beat around the bush. You are calling for the elimination of the Direct Loan Program for those type of businesses, correct?

Mr. HOLLOWAY. We are calling for the elimination of the Direct Loan Program.

Chairman LAFALCE. This issue has been considered each and every year since 1981, and it has been defeated by the Congress overwhelmingly each and every time, has it not?

Mr. HOLLOWAY. Yes, sir; it has.

Chairman LAFALCE. And it will be again.

The question is, what is SBA going to be proposing to OMB that is realistic with respect to meeting an increased demand for guaranteed loans without abolishing the direct loan programs for those few businesses that have already been decimated from over \$200 million to \$87 million? Do you have any fallback position, Mr. Holloway?

Mr. HOLLOWAY. Mr. Chairman, we do not have a fall—

Chairman LAFALCE. Every year that we maintain it at \$87 million we decrease it also because it does not adjust for inflation. So, we are bringing about, because of the administration insistence, the slow death of those programs, but we are trying to keep them alive. As I said, it was, as I recall, \$219 million down to \$87 million.

It seems to me that the SBA must come up with some alternative for meeting the increased demand. What other programs do you want to terminate if you say all of the increase is going to come in exchange for other administration proposals?

Mr. HOLLOWAY. The proposal that was specifically referred to there was the proposal to eliminate direct loans.

Chairman LAFALCE. Yes; but that is \$87 million, and you are going from what, \$2.6 billion to \$2.9 billion? That's \$300 million.

Mr. HOLLOWAY. Mr. Chairman, the Comptroller has a response to that.

Mr. ROSENBAUM. Mr. Chairman, from the budgetary scoring that we have to go through between CBO and OMB, we can support a half a billion dollar guaranty program for the same cost as a \$87 million direct program.

Chairman LAFALCE. I see.

The next paragraph says the Development Company Program level for fiscal 1989 is \$365 million after reprogramming, and you are requesting \$332 million for 1990, is that correct?

Mr. HOLLOWAY. That is correct, Mr. Chairman.

Chairman LAFALCE. Why are you coming in with a reduction in that program. Have you not had an increase in demand there?

Mr. HOLLOWAY. It is a matter of priorities, Mr. Chairman. If—

Chairman LAFALCE. I thought the 502 and 504 Loan Programs were called even during the Reagan Administrator tenure the Flagship Program of the SBA. I mean did not Administrator Sanders come in and make that statement?

Mr. HOLLOWAY. Some of our officials may have characterized it as a Flagship, Mr. Chairman. I do not necessarily see it as a Flagship, although I believe it is a very fine program, and that within the priorities and budgetary constraints that are applicable to us, that our proposal of \$332 million is reasonable.

Chairman LAFALCE. Is that your projected demand, or is your projected demand more than what it was for fiscal 1989, and you are simply coming in at less than what your projected demand is?

Mr. HOLLOWAY. Well, I think in this type of thing, demand itself is always a function of the conditions that would affect the supply. Interest rates, as an example, and certainly we can tighten the faucets, or we can loosen the faucets a little bit in terms of the management of a program. But in the priority of things, if \$332 million is what is reasonably available, then we can adjust program criteria as necessary to make the supply and the demand approximately the same.

Chairman LAFALCE. OK. I will defer my other questions until the other members have had an opportunity to ask theirs.

Mr. Hefley.

Mr. HEFLEY. Well, Mr. Holloway, I, unlike the chairman, I would say that it sounds like pretty good business to me if you can do the same kind of half a billion guaranteed program for the same as you would do an \$87 million direct program. It seems to me that is moving in the right direction.

One of my frustrations with this committee and with the Small Business Administration is we seem to be carving out so many little special programs for specialized groups rather than looking at small business as a whole, and every time we carve out for a special group, we take away from the overall advocacy for small business.

So, I would just simply say I am encouraged by this type of approach, in spite of the fact that the chairman's prediction is probably correct, that it will not pass on the floor, but I think if it makes sense, you should continue to push it anyway.

I have no questions, Mr. Chairman.

Chairman LAFALCE. Thank you, Mr. Hefley.

Mr. Hayes.

Mr. HAYES. Thank you, Mr. Chairman.

I notice on page 2, Mr. Holloway, you predict, as the chairman has indicated also, that there will be a dramatic growth in the demand for guaranteed loans. You state as several reasons: One is the increase of the statutory limit from \$500,000 to \$750,000, the rule and provision in the International Trade Act, and you go on to define other likely factors, and they will include a strong economy.

Are you saying that this economy is strong, to be categorized as strong, so far as small businesses is concerned?

Mr. HOLLOWAY. Congressman, I think that is a question really of what locality you are in. For example, in California, in October, at the beginning of the fiscal year, suddenly demand from small business for our programs doubled. In the Southeast, places like Georgia, demand for our program was up 40 or 50 percent. The economy is very strong in certain locations, and certainly there are other locations in which it is not so strong.

Mr. HAYES. Including my area which happens to be Chicago.

Mr. HOLLOWAY. Yes, sir.

Mr. HAYES. I noticed you indicate, too, that the approval rate ratio has increased for guaranteed loans. In 1989, 904 small business loans have been approved, \$273 million, I think.

Do you have any figures to indicate what percentage of that approval might have gone to minority businesses exclusive of women?

Mr. HOLLOWAY. Mr. Chairman, if the Comptroller has that information available with him——

Mr. ROSENBAUM. I do not have the information available, but generally that figure is in the area of about 19 percent. But I can provide——

Mr. HAYES. I would like to have that if I can, Mr. Chairman.

[The information may be found in the appendix.]

Mr. ROSENBAUM. Generally around 20 percent of it goes into the minority areas. You are talking in terms of guaranty loans.

Mr. HAYES. Yes.

Mr. ROSENBAUM. Right.

Mr. HAYES. Will you supply it to the record and send me a copy? I would appreciate that.

Mr. ROSENBAUM. Yes, Mr. Congressman.

Mr. HAYES. All right. I think that is all my questions now.

Chairman LaFALCE. Mr. Machtley.

Mr. MACHTLEY. Thank you, Mr. Chairman.

This is my first opportunity to be a member of this committee. I am delighted. It looks like a great committee. In 10 minutes I was able to move up three seats, and in 20 minutes I am now sitting in the chair of the ranking Republican, so I think that there is great hope for this committee.

Mr. HAYES. Do not get too satisfied.

[Laughter.]

Mr. MACHTLEY. I had just a couple of questions dealing with the 7(a) loans.

We are finding in the private home mortgage company area that there seems to be some relationship between the percent of the down payment and the default rate. In other words, some people are articulating the position that the more investment that a person feels the more likely they are to stay with a loan.

My question is whether or not you are finding that the SBA experience under the 7(a) Loan Program or any other program relates to that? In other words, if people are putting down more money as a deposit and taking smaller loans or putting down less money and taking larger loans, what are we finding in the default rate correlation?

Mr. HOLLOWAY. Congressman, there is no question in the minds of credit people that having a stake in the transaction helps pro-

mote a success of a loan, and, indeed, many bankers will say there is nothing that builds character like collateral.

The more of a stake someone has in the transaction, the more equity they have in it, it does, in fact, increase the chances of success of that loan. Indeed, the same is true in dealing with our participants. Where the bank or other lender has a stake in the transaction, an exposure, there is a greater tendency to want to service carefully that loan, assist the small business, and make the financing a success.

I do not have with me any figures that would reflect the buy-back rate, if you will, or the loss rate per se, but I believe we have statistics of record within the agency that we could furnish you that relate to losses compared with the percentage of guarantee, that type of thing.

Mr. MACHTELY. The reason I raise this, as I think everyone knows, we are faced with a very high default rate beginning in a lot of sectors in the home industry business, and I think we have to be particularly careful that we do not find that creeping into the Small Business Administration loan portfolio to the point where it becomes catastrophic, and so, I would hope that we are mindful of that as we watch how our loan default rates are occurring.

Mr. HOLLOWAY. Yes, sir.

Mr. MACHTELY. Thank you, Mr. Chairman.

Chairman LAFALCE. Mr. Poshard.

Mr. POSHARD. Thank you, Mr. Chairman.

Just a couple of questions. First of all, what is the default rate among all small business loans through your agency?

Mr. HOLLOWAY. Well, it is a rather deep subject, Congressman, in that it depends on how you define it. We have a couple of different ways of defining it, and sometimes the people will use interchangeably things like failure rate, or loss rate, or buy-back rate, or distress loans, or trouble loans. But in general, if we measure our losses in a way that is defined and comparable to the way banks measure their losses, then we are probably around 3½ percent, something like that.

Mr. POSHARD. Is that higher or lower than most banks?

Mr. HOLLOWAY. Banks are around 1 to 1½ percent.

Mr. POSHARD. OK.

Mr. HOLLOWAY. I think beyond 1½ percent they are looking for new officials, and so, 1½ percent is about tops. They like to operate if they can around 1 percent, perhaps a little bit less.

Mr. POSHARD. What would account for the difference in your rate and, say, a bank's rate?

Mr. HOLLOWAY. The difference, Congressman, would be the statutory requirement that the financing not be otherwise available before it meets the threshold test of coming to us.

In other words, lenders basically have certified to us that they will not make a loan, they are unable to accommodate this financing without an SBA guarantee, and that is the difference.

Mr. POSHARD. So, your constituency is a higher risk from the start?

Mr. HOLLOWAY. Yes, Mr. Congressman.

Mr. POSHARD. Mr. Hayes asked a question that interested me in some ways. Are funds in the SBA proportioned geographically in

any way to ensure that where the economy is booming in California, let us say, a greater proportion does not go there as opposed to areas like mine that are running 20 percent unemployment?

Mr. HOLLOWAY. They are, and I will ask the Comptroller to address it briefly for you, Congressman.

Mr. POSHARD. All right.

Mr. ROSENBAUM. Yes, Mr. Congressman; they are apportioned by regions. We have 10 geographic regions around the country. The allocation of funds is based primarily on historical usage, the requests in which the regions have sent in, in terms of their future projections of funding, and the availability of funds that the agency has to the appropriation process.

We had, in the past, when we have plenty of funds available for the program, put the money out as they needed it. When we experienced money becoming very tight at the end of 1988, especially going into 1989, fiscal year 1989, we put a cap that no region could have any more than 15 percent of the total allocation of funds, being 10 regions.

After we received the reprogramming of \$200 million, we relaxed that cap, but we were very conscious of the fact that we did not want one region to consume too much of the funds at the expense of another region.

Mr. POSHARD. One other thing that I am interested in is that when you had the shortfall, I guess in the first quarter of fiscal year 1989, you restricted the use of loan funds at that point in time for the repayment of the existing debt.

How severe was that restriction? Could they use any of those moneys for the repayment of the existing debt? Or was that just eliminated altogether?

Mr. HOLLOWAY. We initially, for about a month and a half, Congressman, put a very tight restraint on all refinancings. The thought was a small business that already has some financing, either through an SBA guaranteed loan or otherwise, should not be able to get a second bite at the apple and get more financing or refinance before someone else gets their first bite at the apple.

So, for about 6 or 7 weeks, we restricted refinancing pretty much totally. Now we eased up on that to pretty much say that it's not restricted totally, but we discourage refinancing for the reasons that I pointed out to you, and additional loans can accommodate the same needs sometimes without using up so much of your very precious guaranty authority. Because, if you have got \$300,000 loan out and you refinance it at \$400,000, then you have used up \$400,000 worth of your guaranty authority rather than the \$100,000 differential.

So, we do permit it now, but we have some restraint on it.

Mr. POSHARD. Thank you, Mr. Chairman.

Chairman LAFALCE. Thank you.

Mr. Hancock.

Mr. HANCOCK. Thank you, Mr. Chairman.

Is this correct, that there are only eight small business lending companies nationwide that are involved in this activity?

Mr. HOLLOWAY. Congressman, there are only eight of the type of nonbank lender that is the type that must be supervised and examined by the SBA because there is no one else to do it.

There are really many, many nonbank lenders in the sense that a savings and loan is a nonbank lender. A credit union is a nonbank lender. An edge corporation can be a nonbank lender. But small business lending companies are a kind of a technical grouping of companies that were certified or licensed by SBA and had to be supervised and examined by SBA because they were not supervised or examined meaningfully by any Federal or State authority.

Mr. HANCOCK. Well, what percentage as a guess—I will not hold you to it—but what percentage of the total number of loans and guaranteed loans are produced by these small business lending companies?

Mr. HOLLOWAY. It is substantial, Congressman. As a matter of fact, among the active ones, there are about four or five that are among our most active members in the United States, and so it seems they are either very, very active, or they are not active.

I would say probably just as a guess, somewhere between 5 and 10 percent of our 7(a) guaranty activity subject to correction, when I figure a little more accurately, but it is very, very substantial. One bank lender, the one that makes the largest amount of loans in the United States, is operating in about 16 States.

Mr. HANCOCK. Which—

Mr. HOLLOWAY. The Money Store.

Mr. HANCOCK. What is the name of it?

Mr. HOLLOWAY. The Money Store Investment Corp.

Mr. HANCOCK. Money Store?

Mr. HOLLOWAY. The Money Store.

Mr. HANCOCK. Where are they headquartered?

Mr. HOLLOWAY. They are headquartered in New Jersey, I believe. New Jersey and also in California. Sacramento.

Mr. HANCOCK. I have no further questions. Thank you

Chairman LAFALCE. Mr. Hoagland.

Mr. HOAGLAND. I have no questions, Mr. Chairman, but I appreciate the opportunity.

Chairman LAFALCE. Thank you.

Mr Rhodes.

Mr. RHODES. Thank you, Mr. Chairman.

Mr. Holloway, my question was ancillary to your testimony and was not addressed by any of the questions that the chairman addressed to you, so you may not be prepared to answer it, but in the last Congress from time to time we had some testimony from the SBA relating to the sale of the SBA's loan portfolios, and unexpected problems that the agency came across in selling those portfolios basically related to the documentation of the loans, and the fact that you had to take far deeper discounts on your loans when you sold them than you had anticipated because of the deficiencies in the way that the loans had been documented and the fact that you were going to institute steps to tighten up loan documentation so that on future sales, you would not have to experience such a deep discount.

Can you tell us a little bit about how that process is working?

Mr. HOLLOWAY. Well, Congressman, first of all, let me say that although I know from news accounts that there were some agencies in which the documentation was a problem, it was not a problem for us in SBA. The appropriations committees the past 2 years,

fiscal 1988 and 1989, put a restriction in their report that prohibited us from using appropriated funds for the purpose of effecting asset sales, and that's really what prevented us from going forward with that rather than the documentation.

However, some asset sales are again proposed in the fiscal 1990 budget.

Mr. RHODES. Thank you.

Thank you, Mr. Chairman.

Chairman LAFALCE. Mr. Bilbray.

Mr. BILBRAY. Yes.

In the previous question you were asked how you allocate the funds based on geographical area, and your answer was it was on prior need. You base it on the fact of what in the prior history an area has needed, and I presume that is what you were saying; is that correct?

Mr. HOLLOWAY. The business population and prior track record.

Mr. BILBRAY. The reason I am asking is, in my district, for instance, there is probably about a 10-percent-per-year growth in business activity. It is growing at the rate of, well, about 11 or 12 percent per year in population.

How do you take into account, this rapid population growth? The need has to be greater in this type of area, even though I understand that a depressed area certainly is deserving of assistance because people are in trouble, and they need loans to try to help them.

In prosperous areas, as was mentioned, like California, Nevada, and especially southern Nevada, which is growing very, very fast, you probably even have a greater need because you have new people coming in and starting up businesses or people are there setting up businesses.

How do you adjust your allocation of funds from year to year? I ask this question because I have heard from my constituents that when they go to the SBA to get a loan, they are virtually told that there is no money available this quarter. Come back next quarter, and so forth.

Mr. HOLLOWAY. Let me just say before turning to the Comptroller for his perspective on it, that this is a comparatively new problem for us. Really, in the last 10 years, every region, every State, every district office, has had adequate guaranty authority to accommodate all loans that a demand was there, and it could be approved. So, this is a relatively new problem for us, and one of the ways it is accommodated is apportioning only to a regional level and not down to the district level such that the Regional Administrator has some flexibility in taking money away, for example, from a district office that is not as active and not using his authority and putting it over in a district office where they have a demand, and they use it.

So, there are some further techniques I guess, Larry, that—

Mr. ROSENBAUM. You basically have covered it.

Mr. BILBRAY. The problem, as I see it, is that if you are from the inner city, and you are in a depressed area, if you are from Houston, or you are from some areas that are hurting, Louisiana, or probably Chicago, or Detroit, you are going to say, hey, we are not growing; we are not rapidly moving, but our people are really hurt-

ing, and if the funds are distributed by region, you may have one region clamoring for all the funds.

If you are in the Far West region, if you are in Arizona, Nevada, California, in that area, everything is booming right now. Everything is moving up. We are growing rapidly. Business is doing well. People are certainly asking for more and more loans.

I would like to just get some sort of breakdown. Maybe you can supply it to my office so I understand how you allocate those funds from region to region and then how the region breaks it down internally, because, at least, as a Nevadan, I could see my colleagues from California, with their political clout, trying to get the lion's share of the whole thing and Nevada and Arizona getting very little of it.

But, perhaps, I am being unjustly suspicious.

Mr. HOLLOWAY. We will be pleased to submit that for the record to the chairman and a copy to your office.

Mr. BILBRAY. I would like to have it. Thank you.

[The information may be found in the appendix.]

Chairman LAFALCE. With respect to the new Small Loan Program, section 102, what is the status on that?

Mr. HOLLOWAY. The Small Loan Program—all right. The proposed regulations were written on that and were published on March 6. The comment period closed on April 5. The final regulations have been rewritten in view of the comments, and it is in the clearance process for publication.

Chairman LAFALCE. Well, your central office staff was reluctant to shorten the forms, and, of course, form simplification was one of the requirements. That really was demanded in the law, form simplification. Has a new loan form been developed under the—

Mr. HOLLOWAY. Congressman, I will be very candid with you. That provision caused us conceptual problems in that a number of revisions have been made of that form and from a credit point of view, we believe that the information that is requested there is necessary to responsibly accommodate a request for credit. Nonetheless, we have asked for, in cooperation with members of your staff, various banks to send us forms that they are using and are going to come up with some shorter version. But really the reason for the delay there was more of a conceptual difficulty than anything else.

We would be delighted to find—

Chairman LAFALCE. I think what you are saying by conceptual difficulty is that you disagree with the law, the law for a loan of \$50,000 or less. We wanted to simplify it above and beyond what is required for a \$750,000 loan. We just didn't want the same type of information for a \$50,000 loan as we wanted for a \$750,000 loan.

Is there going to be a separate form—

Mr. HOLLOWAY. We are going to give you a separate form.

Chairman LAFALCE. OK. Hopefully, it will be considerably simplified. Or will we even be able to use the forms of the banks in some instances if they have adequate enough information?

Mr. HOLLOWAY. We are very much discouraged by our attorneys using the banks' forms. For example, you get into things like our guaranty agreement where the borrowers personally guarantee. We have a guaranty agreement that is good. It is one page. It has

been litigated in every State in the United States. You sign that guaranty agreement, you are liable. You have guaranteed that loan. We know that.

If we start using forms that each of 11,000 banks provide us, we kind of go off line and in an ad hoc way have to litigate every one of those sooner or later.

But we are going to give you, Mr. Chairman, a shortened version. We very much want to accommodate that request.

Chairman LAFALCE. How many pages is the present version for a \$750,000 loan?

Mr. HOLLOWAY. At least four pages.

Mr. HERTZBERG. It is four pages, but the basic difference between the large loans and the smaller loans would be the supporting or the supplemental information that is provided. The kinds of financial statements that are provided, and the background for the use of proceeds, and that sort of thing.

Chairman LAFALCE. About how many pages is the shortened loan form going to be?

Mr. HERTZBERG. We have not gotten that far yet, but we are attempting to—

Chairman LAFALCE. Well, I thought you said this was almost finalized.

Mr. HERTZBERG. We have talked to the committee, and we have agreed to do it. We are now soliciting and getting examples, and now we are in the process—

Chairman LAFALCE. What is the type of information that you think would not be necessary for a \$50,000 loan which is necessary for a \$750,000 loan guarantee?

Mr. HERTZBERG. That is our basic problem.

Chairman LAFALCE. I know. But the law was passed when?

Mr. HERTZBERG. In November.

Chairman LAFALCE. I know that has been your basic problem since November, but I assumed that by this time you must have some idea of where you are going.

Mr. HERTZBERG. Well, I think a lot of the pages of the four pages of the form are sort of standard questions.

Chairman LAFALCE. Sure.

Mr. HERTZBERG. Like has the applicant ever filed bankruptcy. I think that what we are doing is we are trying to simplify the language perhaps and look at every item. You can eliminate an item, but it is not going to cut down the number of pages very much.

Chairman LAFALCE. OK. But what about the content. Forget about the number of pages. The information that is sought for a \$750,000 loan. Is there certain information that you need for a \$750,000 that you do not really need for a \$50,000 loan guarantee?

Mr. HERTZBERG. We are going to try to identify that.

Chairman LAFALCE. OK. So, you are still not there.

Mr. HERTZBERG. We are not there yet.

Chairman LAFALCE. When is a reasonable time? Because until you are there, we cannot get this program off the ground.

Mr. HERTZBERG. Well, we have said in the final regulations that we are going forward with the program, and we are working in the meantime on simplifying the form.

I think that the final design of the form may take 60 or 90 days or something in that order. But we are going forward with the program.

Chairman LAFALCE. Well, the program really involves both form simplification and preferred financing. So, we do not go forward with the program until we combine those two concepts. We are going forward with the financing apparently but not with the form simplification. So, we are only going forward with half the program.

I just think we have to be a little bit more zealous in that.

Have there been many comments received during the comment period regarding approaches that you could take?

Mr. HERTZBERG. To the simplification of forms?

Chairman LAFALCE. Yes.

Mr. HERTZBERG. We received no comments on that score.

Chairman LAFALCE. You have received no comments?

Mr. HERTZBERG. No comments on that score. We did receive some comments from the committee itself, and we talked to them, and we are pursuing the direction that they have suggested.

Chairman LAFALCE. Any hang ups on the financing aspect of it?

Mr. HERTZBERG. No, sir.

Chairman LAFALCE. Was that the first or second bell?

VOICE. First bell.

Chairman LAFALCE. Now, as to this PLP guaranty percentage, I did not think much of the proposal to eliminate loans under \$155,000 from participation in that program. My assumption is that others agreed with me and did not think much of it either.

Is that fairly accurate, that most individuals who commented have critical comments regarding that proposal?

Mr. HOLLOWAY. You would be surprised, Mr. Chairman. I will ask Mr. Hertzberg to give you a little analysis of what we received commenting on that proposal.

Chairman LAFALCE. I would also like to know what the present disposition of the SBA is with respect to it. Have you backed off of that?

Mr. HOLLOWAY. Mr. Chairman, we made that proposal at a time when we were under a different Administrator, and Administrator Engeleiter has not had an opportunity.

What we will do is complete the analysis of these comments and provide her with an array of options.

Chairman LAFALCE. Yes.

Mr. HOLLOWAY. She may very well want to make some changes in our proposal. I do not know that at the present time. But we will provide a variety of options available to her, and we will put out our recommendation to you.

Chairman LAFALCE. I think there is an inconsistency between what the Congress was attempting to do, facilitating these smaller loans through this miniloan program, and then abolishing loans under \$155,000 under your Preferred Lender Program.

Mr. HOLLOWAY. We do not really intend—

Chairman LAFALCE. There does seem to be an inconsistency there, does there not?

Mr. HOLLOWAY. We do not intend to abolish the smaller loans. We intend to limit the guaranty where we do not look at the loan

to 80 percent. It is the 85 percent that is causing us the problem, Mr. Chairman, because this permits the financial institution, those few that would want to do so, to totally finance out of the transaction and have nothing at stake.

Chairman LAFALCE. What were the comments you received pro and con?

Mr. HOLLOWAY. I will ask Mr. Hertzberg, if I may, sir.

Mr. HERTZBERG. Mr. Chairman, we received a total of 35 comments on the proposal, and 13 supported the agency position, 12 were opposed to the agency position, and 10 were sort of in the middle. They would prefer to have the small loans in place but would have accepted either a 75- or an 80-percent guarantee level.

Chairman LAFALCE. Well, assuming the accuracy of your characterization of their comments—I say assuming, because often I have been said in the paper to favor something when actually I oppose it.

[Laughter.]

Chairman LAFALCE. I have not read the comments on that. It seems as if it is fairly evenly split. Let me just side on the side of those who would oppose it for what that is worth.

We do have a number of other questions, but because of the constraints of time, in fact, about 7 minutes to go for a vote, I am going to call this hearing to a close.

But I did have a number of other questions I would like to ask, and what I am going to do is to ask my counsel to simply converse with you concerning those questions, the questions such as the export lines of credit and a number of other things too.

Then, if we have anything that we feel should be made a part of the record, we will submit additional questions to you in writing so that we can get written responses for the official record.

With that the hearing is adjourned.

Thank you very much.

[Whereupon, at 11:25 a.m. the committee was adjourned, subject to the call of the Chair.]

SBA LOAN PROGRAMS

WEDNESDAY, JULY 26, 1989

HOUSE OF REPRESENTATIVES,
COMMITTEE ON SMALL BUSINESS,
Washington, DC.

The committee met, pursuant to notice, at 9:48 a.m., in room 2359-A, Rayburn House Office Building, Washington, DC, Hon. John J. LaFalce (chairman of the committee) presiding.

Chairman LAFALCE. The committee will come to order. This morning we are resuming our hearings on the Small Business Administration's general business on the 7(a) Loan Program and on the Certified Development Company or CDC Program.

Last week, we commenced this series of hearings with testimony from representatives of the Small Business Administration.

I am not, at this point, going to repeat all of the details as to the budget problems we are facing with these two loan programs. It is urgent to note, however, that we cannot, due to Gramm-Rudman budget constraints, increase the amount of loan guarantees to accommodate the demand for these loans.

Thus, we really have two major questions:

First, how are we going to allocate available credit; that is, how are we going to decide who will get the loan money, or, conversely, how are we going to decide who is denied loan assistance under the SBA program?

Second, are there private financial institutions which can step into this gap and possibly provide some funding without the benefit of an SBA guarantee?

Today, we are pleased to have before us representatives of the Independent Bankers Association of America, the National Association of Development Companies, and the National Association of Government Guaranteed Lenders. Other witnesses have been asked to file statements for the record.

At this time, I would like unanimous consent to put into the record the statement of the ranking minority member, Mr. McDade.

Without objection, so ordered.

[Mr. McDade's opening statement may be found in the appendix.]

Chairman LAFALCE. Do any other members have statements they wish to make before we proceed to the panelists?

Mrs. MEYERS. Mr. Chairman.

Chairman LAFALCE. Yes, Mrs. Meyers.

Mrs. MEYERS. I have no opening statement. I would just like to say that Mr. Holtke is a constituent of mine, and has been very active as a banker in the community, and very active on the cham-

ber of commerce, and as Secretary of the National Association of Lenders.

I am very glad to have him here and am pleased that you asked him, and I am also glad that you are holding this hearing this morning.

Chairman LAFALCE. We, too, are glad to have him here, and, as you are glad to have him here, I am sure he is proud to have you as his Congressperson, Mrs. Meyers.

Any other comments?

[No response.]

Chairman LAFALCE. Well, then, let us proceed.

We will hear first from the president-elect of the Independent Bankers Association of America, Mr. Philip Vallandingham, and then from the vice president for congressional relations of the National Association of Development Companies, Mr. James Baird, and then from Mr. Holtke of the National Association of Government Guaranteed Lenders.

Mr. Vallandingham, as the president-elect, is this your maiden voyage before the Congress, or have you testified before?

Mr. VALLANDINGHAM. That is correct. It is.

Chairman LAFALCE. Delighted to have you here.

Mr. VALLANDINGHAM. Thank you.

TESTIMONY OF PHILIP VALLANDINGHAM, PRESIDENT, FIRST STATE BANK, BARBOURSVILLE, WV, AND PRESIDENT-ELECT, INDEPENDENT BANKERS ASSOCIATION OF AMERICA

Mr. Chairman, as you have noted, I am Phil Vallandingham, president of the First State Bank, Barboursville, WV, and president-elect of the Independent Bankers Association of America.

We appreciate being offered the opportunity to be before your committee this morning.

I would like you to know that my bank is heavily involved in small business loans, relative to the size of my small community bank in West Virginia. Our business loans are about 50 percent of our entire loan portfolio.

Chairman LAFALCE. I wonder, Mr. Vallandingham, if you would bring the microphone a bit closer.

Mr. VALLANDINGHAM. Sure. Thank you.

On the other hand, we are not particularly heavily involved in the SBA Guaranteed Loan Program as of this date. We have been in the past, and have in recent years slowed down in that market, and are reconsidering that at the moment.

But our association is represented by many members that are participants of greater magnitude in the SBA 7(a) Program, and we support maintaining the high guarantee level of that SBA loan program.

We feel that the high guarantee, or the 90-percent level, for the smaller loans, and the 85 percent for the larger loans is an absolute necessity in being able to provide loans to rural communities and small businesses that are somewhat riskier than the market would accept without that guarantee, and a reduction of that guarantee, in our judgment, would be a bitter pill to swallow for the small business community of America.

The SBA Guarantee Program has been a good investment for the taxpayers. It has helped create many jobs, thousands of new jobs around this country, and we are certainly concerned that the Federal budget restraints have in recent years reduced the funding levels. Although we have been made aware that it could be increased for 1990, and we applaud that, it seems that with the certainty that SBA will be with us for a while, that there is an increasing demand, and I have taken the trouble to query that of banks in West Virginia and find that to be true in our State.

Therefore, we think that it would be unfortunate for any reduction of the SBA program in a time when the soft landing that we hear so much about could be further softened by additional loans to small businesses and the jobs that they create.

Despite the strength of the SBA program, we realize it does have some limitations, and we would start with mentioning again the budget restrictions.

We think that the small business community needs some additional long-term, fixed-rate financing vehicle that might be made available. We also have to concern ourselves with the higher quality loans to small businesses that might be larger than the SBA program allows or of a quality that might not qualify for the SBA program.

Long-term, fixed-rate financing needs to be made available for plants and equipment. It is an absolute necessity for the community banks in America to be able to provide that kind of financing and create the jobs in those communities.

There has been some discussion of establishing a secondary market, supplementary to the SBA Guarantee Program, into which portfolio lenders might sell small business loans. If that were done, such an arrangement should be carefully designed so that the market would be fully accessible to community banks and other local lenders that work directly with the small business community.

Establishing a broader market for small business loans could be very beneficial for financing small businesses over the long run.

In our view, any broader small business funding that might be considered should be in addition to a strongly-funded SBA Guarantee Loan Program.

That would conclude, Mr. Chairman, my prepared remarks. I would be glad to take any questions that you would have.

[Mr. Vallandigham's statement may be found in the appendix.]

Chairman LAFALCE. Thank you. Before we go to the questions, we will hear from the other panelists.

The next panelist is Mr. James Baird.

TESTIMONY OF JAMES R. BAIRD, VICE PRESIDENT FOR CONGRESSIONAL RELATIONS, NATIONAL ASSOCIATION OF DEVELOPMENT COMPANIES [NADCO] AND DIRECTOR, BAY AREA EMPLOYMENT DEVELOPMENT CO.

Mr. BAIRD. Thank you.

Good morning, Mr. Chairman, distinguished members of the committee, ladies and gentlemen. I would like to thank you very much for the opportunity to appear before you today.

The legislation which you, Mr. Chairman, were the chief sponsor of, which created the SBA 503 Program, and then it has later evolved into the 504 Program, is now approaching its 10-year anniversary. We agree that it is now a most appropriate time to take a look at the track record of the program and to determine the program's course in the future, and we most appreciate your leadership in this task.

I am Jim Baird, the executive director of Bay Area Employment Development Co., and currently serving as the vice president for congressional relations for NADCO, which represents the Nation's certified development companies.

Our association is currently preparing a detailed report on the 503 Program's history and track record. We would like to provide the committee with copies of this detailed report within the next 30 days.

Today, we would like to take a few minutes to provide you with an overview of the issues confronting our industry by summarizing the initial and preliminary findings of this report.

As an overview, over 7,000 SBA 503 and 504 loans have been funded to date, providing over \$1.5 billion of capital to America's growing small businesses.

The financing has been provided by the Nation's 460 certified development companies.

Although it is a primary goal of the 504 Program to assist small businesses in general, the program has a special set of objectives and a unique delivery system which set it apart from traditional small business assistance programs.

First of all, the SBA 504 Program is a targeted economic development program. Every project that we finance creates a significant number of private-sector, full-time, permanent jobs or has other tangible economic development benefits.

The 7,000 companies assisted thus far by the program have created and retained over 100,000 full-time, permanent, private-sector jobs as a direct result of the financing.

Second, each SBA 504 financing leverages a minimum of 60 percent non-Government guaranteed capital. This means that the 503 and 504 Programs have leveraged approximately \$2 of private capital for every \$1 of Government-guaranteed capital to date.

Third, in the area of portfolio quality, SBA data shows that of the 7,000 loans closed to date, approximately 2.4 percent of the loans are currently delinquent by 60 or more days. Because the loans are secured by real property, the actual loss rate of the program would be substantially lower than that.

While in our opinion these factors indicate that the 504 Program has an excellent track record, the program is not without its problems. In fiscal year 1988, for the first time since the 504 Program has become established, the approvals fell far short of funds budgeted and represented only 72.2 percent of the funds appropriated and authorized for the program.

Although approximately 1,200 businesses were assisted by 504 financings in fiscal 1988, the loan approval shortfall translates directly into approximately 500 small concerns that could have been assisted by this program but that were not. In our opinion, the key question is, why did this occur?

Our industry has identified several issues which we believe to be major causes of this.

The first has to do with the loan processing issue. Using the 7(a) Program as an example, there are currently three classifications of SBA 7(a) lenders, including regular program lenders, certified lenders, and preferred lenders.

In the 7(a) Program, as the track record and expertise of a lender increase, they are allowed a greater degree of authority and streamlining in the lending process in return for greater program responsibility.

Our industry applauds the 7(a)'s CLP and PLP Programs as an excellent management strategy which leverages scarce Federal resources, and we believe that a similar program should be developed for the 405 Program for certified development companies with a proven expertise and track record.

NADCO has recently submitted a proposal for such a program to the Small Business Administration. We hope that the agency will support this effort, and we look forward to working with them in the program's development.

Another issue is the current job creation standard of the 504 Program. Since shortly after the 503 Program's inception, 503 and 504 loans have had a regulatory standard requiring the creation or retention of at least one full-time permanent job for every \$15,000 of SBA guaranteed loan assistance.

NADCO and the certified development company industry have a long track record of supporting this standard as an important way of targeting 504 project moneys to bona fide economic development projects.

In recent years there have been more and more complaints from all areas of the country that the \$15,000 per job standard had, over time, become too strict and was over-restricting program spending which results in underutilization of the program.

Because of our view of the importance of this standard and our traditional support of this standard, we desired to fully study this issue before making any recommendation for a change.

In the Fall of 1988, the Development Company Funding Corp., which is the nonprofit fiscal agent of the 504 Program, with the consent of SBA, commissioned a study on this issue, which is now being completed by Arthur Anderson & Co.

A copy of the executive summary is attached to this testimony.

The study found that the 504 Program \$15,000 per job standard is substantially below the average capital investment required to create one job in the United States today.

It also found that because of this, a significant portion of the entrepreneurial projects undertaken in the United States at this time would have difficulty falling within this regulatory standard.

We have recently provided the results of this study to the Small Business Administration and requested that they examine the study and consider a revision of the current standard.

In the area of regulatory reform, there are a number of issues which our association believes could be made which would substantially reduce unnecessary program restrictions without any increase in program cost or without hurting program effectiveness in any way.

We are involved in ongoing discussions with the SBA on these issues, and, rather than take up your time with this type of detail today, our recommendations will be provided to you in the detailed industry study which is currently being completed.

Concerning the budget, in the current fiscal year, Congress and the administration reprogrammed \$85,000 of the 504 Program budget in order to provide badly needed funds for the shortfall being experienced in the 7(a) Program.

The adjusted 504 Program budget, after reprogramming for this current fiscal year, is \$365 million.

The SBA estimates that the program will fully utilize this amount of funding in this current fiscal year.

We fully support the \$415 million appropriation recently marked up by the House Appropriations Subcommittee and take it as an expression of congressional confidence in the 504 Program.

As was mentioned previously, CDC's are nonprofit corporations funded with local initiatives and resources to implement local economic development. Although some CDC's are self-sufficient entities, most rely in part on funds from local, Federal, or State resources.

Within the last year, the Department of Housing and Urban Development has changed its policy such that if a certified development company receives any money from HUD's CDBG Program for operating expenses, all projects financed by the CDC must meet all HUD regulations pertaining to low- and moderate-income job creation, and the certified development company must provide ongoing documentation of this in a format and in a volume that is clearly out of scale with a small business financing program.

It seems reasonable to us that whenever HUD has loan funds directly in a project, it should be permitted to apply any of its regulations to that project.

However, in the absence of direct Federal financial assistance, we feel that it is inappropriate for HUD to overlay its regulations on a project that includes no HUD funding.

More importantly, even though it is generally felt that almost all 504 projects actually meet the HUD low/moderate job standards, the documentation requirements of HUD are so burdensome as to make small business financing projects untenable for most of these certified development companies.

The SBA has worked strenuously to try to solve this problem with HUD. However, HUD has not yet been willing to make any changes in their policy. Additionally, there is language that was contained in the 1988 SBA reauthorization legislation which would prohibit CDC's from accepting Federal funds from any source after May 1991 if the source of these funds imposes these types of restrictions on the use of SBA-funded projects.

Mr. Chairman, we would appreciate any assistance that you could give us on this issue. The continuation of CDBG funding for even a limited period of time is of utmost importance to our industry in the full delivery of 504 loan assistance.

Our industry would like to request that you contact Secretary Kemp and request a waiver of HUD's policy for this specific type of case. If HUD is unwilling to compromise, we would support an agreement to permit CDBG to continue to fund certified develop-

ment companies without restrictions until the statutory deadline occurs.

In conclusion, Mr. Chairman, our industry has been very fortunate to have worked closely with you, and the House and Senate Small Business Committees, and the SBA over the last decade. This has enabled us to overcome significant adversity in the past and to use adversity as a way of improving the program.

As you best know, the creation of the 504 Program in 1985-86 is an outstanding example of your leadership enabling us to work with Congress and the SBA to continue and to improve a program of substantial benefit to the Nation's small businesses.

Once again, we have the opportunity to continue and to improve the 504 Program, and we are confident that once again, we can count on your leadership and work closely with you and the SBA toward that purpose.

Mr. Chairman, that concludes my prepared testimony.

[Mr. Baird's statement, with attachments, may be found in the appendix.]

Chairman LAFALCE. Thank you very much, Mr. Baird. We will now hear from our next witness, Mr. John Holtke, from Merriam, KS.

TESTIMONY OF JOHN HOLTKE, SENIOR VICE PRESIDENT, UNITED KANSAS BANK

Mr. HOLTKE. Mr. Chairman, my name is John Holtke, and I appreciate the opportunity to testify this morning. I am senior vice president with the United Kansas Bank in Merriam, KS. Our bank has approximately \$80 million in assets. We have an outstanding SBA loan portfolio of approximately \$20 million. United Kansas Bank has earned the designation of being a certified lender as well as a preferred lender.

I have been asked here today as a representative of the National Association of Government Guaranteed Lenders, NAGGL for short. NAGGL represents financial institutions, nonbank lenders, broker/dealers, and investors who are active participants in SBA Guaranteed Loan Programs. NAGGL's membership accounts for a very significant portion of the 7(a) loans that are made each year.

Personally, I have been involved with Small Business Administration and its lending programs for approximately 20 years as a private banker and as an SBA employee in the Pittsburgh, PA, and the Kansas City district offices.

I can attest to the fact that the SBA Loan Programs are working, work quite well, and are worthy of, not only continuance, but expansion.

The facts are that small businesses cannot access national capital markets, and so must rely on their banks for financing. But for a variety of reasons, banks have a difficult time offering long-term financing needed by small businesses.

It is the SBA and its loan programs that bridge that capital gap by providing reasonably priced, long-term financing. It is precisely the kind of financing needed by small businesses to help them grow and prosper, create employment, and generate additional tax revenues for the Government.

My comments today will focus on the current shortfall of guaranty authority for the 7(a) Program, anticipated levels of demand for fiscal year 1990, and recent and pending program changes by the agency.

We are all aware that the \$2.4 billion appropriation level for the 7(a) Program was insufficient to meet the lender and borrower demand. There are several reasons for the increase in demand. NAGGL, the small business community, and Congress have saved the SBA from extinction. The SBA has done a fairly good job in improving programs and in convincing lenders that SBA guaranteed lending is a useful and profitable tool.

Congress has made many positive program changes such as increasing the guaranty limit to \$750,000 after years of being anchored at \$500,000, and legislating new international trade program, and the Small Loan Program.

Thanks to the efforts of SBA, lenders, broker/dealers, and investors, the secondary market is running more smoothly than in the past. All of these reasons have provided a strong level of confidence in SBA and its products, and when the confidence in the agency rises, so does the loan demand.

The real question is what would have been the level of demand had there not been a funding shortage? NAGGL believes that actual volume would have been between \$2.8 to \$2.9 billion. It is clear that the \$2.6 billion total of appropriated and reprogrammed funds will be spent.

There was a period earlier this fiscal year when SBA limited fund usage in several matters, such as restriction on use of proceeds for debt refinancing—I might add, which is something that is very important to small business financing—slowing the response times to loan applications, and a general tightening of credit standards.

These subjective restrictions caused, in some cases, the delay or cancellation of lender commitments and small business plans, and some loans that would have normally been approved, were denied. NAGGL believes that \$200 to \$300 million of small business borrower demand went unmet.

At a May NAGGL Conference in San Diego, we polled lenders as to their budgeted program levels for 7(a) loans for the remaining 5 months of 1989, for fiscal year 1990, and their anticipated use of the international trade program. Through a statistical analysis, we determined that the current year demand would be \$2.6 to \$2.9 billion; fiscal year 1990 demand, exclusive of any new programs, would be approximately \$3.0 to \$3.2 billion; and anticipated volume of the new international trade program would be \$166 million to \$208 million. For fiscal year 1990, lender demand in total could be as high as \$3.2 to \$3.4 billion.

Obviously, these numbers conflict with budgetary constraints. But these constraints only consider the expense side of the transaction. Obviously, SBA loans are not grants. The loans are being repaid at the same time such things as innovation, job creation, and tax generation are taking place. NAGGL recently paid for an independent nationwide survey of SBA borrowers. The researchers' conclusion was as follows.

Despite continuing criticism of the SBA Loan Guarantee Program, it appears that from the perspective of the borrowers and from the standpoint of positive economic gain for society, the program is providing very positive results. Borrower attitudes toward the SBA Lending Program are highly favorable; sales, profits, tax payments, and employment figures show healthy compound annual increases. Borrowers also appeared to be quite pleased with the manner in which SBA guaranteed lenders handled their loan application processes and the actual administration of their loans.

There is a strong likelihood that many of the loans made to small businesses would not have been available in the absence of such a program. The result would be fewer jobs, lower expenditures in the local economies where the businesses are located, reduced tax revenues paid to local, State, and Federal governments, and a general diminished level of economic activity. Individually, businesses such as these do not make much of an impact in the overall GNP of the United States, but collectively they provide a very significant contribution.

The survey indicated that a very positive economic impact was taking place. For instance, on an average annual growth rate, Federal taxes were rising 24.3 percent, State taxes were up 8.3 percent, profits were up 28.2 percent, full-time employees up 16.8 percent, and part-time employees over 160 percent increase.

NAGGL believes that the positive economic benefits created by the SBA and its loan programs far exceed the initial cost of those programs.

The SBA has already taken its fair share of budget cuts. Since 1981, the appropriation level is down 40 percent for the 7(a) Program. Since that time, SBA has dramatically improved the quality of loans in their portfolio, reducing their average annual loss rate to approximately 3 percent. This compares very favorably to the lending industry average of approximately 2 percent, especially when we're considering the nature of the credits that SBA many times is involved in.

I encourage this committee to seek out ways to fund the SBA 7(a) Program at its level of demand. SBA loans are an investment in the future, and it is clear these investments are reaping many returns. There must be a way to stop viewing all Federal expenditures the same. But rather, we should give priority to these items, like the SBA, that provide so many rewards.

I would also like to comment upon the SBA program changes mandated last year by Congress. As I recall, the laws were passed sometime in October, with a requirement that they be implemented within 6 months. To date, most of these changes have not taken place or have been unavailable for usage.

For instance, the new regulation on the International Trade Program were published in the Federal Register on June 5, 1989. The NAGGL office called several SBA district offices this past Monday, and these offices were not aware that the program was available.

The first notice of this change received by NAGGL was in SBA testimony provided this committee. I believe it was last week.

Second, the PLP guaranty percentages have yet to be changed. SBA waited a full 6 months before even issuing a request for comment, and to date has not yet issued any final regulations.

A copy of the NAGGL response to the SBA request for comment is attached for your information. We would encourage all of you to read that letter.

Finally, the regulations on the Small Loan Program have not been made available. NAGGL hopes that all these changes will be in full operation in the very near future.

Mr. Chairman, the National Association of Government Guaranteed Lenders appreciates the opportunity to come before this committee. We urge your continued support of the agency and its loan programs. I want you to know that NAGGL is looking forward to working with you and your committee on small business lending issues, and we pledge our very active cooperation.

This ends my prepared testimony, and I would be happy to answer any questions.

[Mr. Holtke's statement, with attachment, may be found in the appendix.]

Chairman LAFALCE. Thank you very much.

I will defer to the other members of the committee for questions they might have before I ask any myself.

Mr. Neal, do you have any questions?

Mr. NEAL. No.

Chairman LAFALCE. Ms. Meyers, did you have any questions?

Ms. MEYERS. No.

Chairman LAFALCE. Mr. Hefley.

Mr. HEFLEY. No questions.

Chairman LAFALCE. Mr. Hancock.

Mr. HANCOCK. No.

Chairman LAFALCE. Mr. Rhodes.

Mr. RHODES. Thank you, Mr. Chairman. I have a couple of questions for Mr. Baird related to the problems you raised in connection with HUD and the community development block grant funds. I want to make sure I understand.

I take it that certain of the lending corporations are recipients of CDBG funds, I would presume, through a city, municipality, county, one of the qualified recipients directly from HUD of the CDBG funds.

Is that correct?

Mr. BAIRD. That is correct.

Mr. RHODES. Those funds would be used, I presume, by the community-based lender for operating expenses?

Mr. BAIRD. Yes; the initial results that we have of a survey indicate that about 25 percent of the Nation's certified development companies receive HUD moneys as a subrecipient from a qualified local or State government; correct.

Mr. RHODES. They are not direct recipients. They are sub-recipients.

Mr. BAIRD. Right, and those funds are typically used to fund a portion of the operating budget of the certified development company.

Mr. RHODES. So, under no circumstances are they turned around and used as loan funds.

Mr. BAIRD. Some certified development companies also, typically through local and State programs, also have access to HUD funds that are used to, in part, finance projects or cooperatively finance

projects. But those really are not of issue. It's not a dispute on behalf of the industry that there is a HUD regulation or not a requirement on those.

We're simply talking about the projects where there is no HUD money at all involved in financing the small business concern, but the certified development company has received, let's say, a local grant of HUD funds for 5 or 10 percent of its operating budget.

Mr. RHODES. Then, as I further understand it, HUD then levies a requirement that the subrecipient provides statistical data to HUD on the performance of its loan recipients.

Is that correct?

Mr. BAIRD. That is correct.

Mr. RHODES. Mr. Chairman, this is hardly the time to be suggesting that HUD relax its oversight on the use of its funds. But it certainly does seem to me that this is going a little far.

As a matter of fact, the entire purpose of block grants, or one of the purposes of block grants is to provide municipalities, local and State governments with discretionary funds, and if they utilize those discretionary funds to help fund their operating expenses, it is not their loans. It seems that HUD is overreaching a little bit in this particular instance, and perhaps this is something we ought to look into.

That is all the questions I had, Mr. Chairman. Thank you.

Chairman LAFALCE. Thank you.

Let me just comment on that. I want to explore that in the question period with Mr. Baird. But my inclination is to strongly agree with the position of Mr. Baird on that, and in all probability I will be communicating very shortly, discussing with Mr. McDade the possibility of him joining with me in a communication to HUD on this issue.

I have had considerable experience with this program, because I authored it in, what was it, 1983? Or was it earlier?

Mr. BAIRD. 1981.

Chairman LAFALCE. Oh, the years go by so fast.

It just can't be stifled with unnecessary burdens and regulations.

Ms. Meyers, you have some questions you wanted to ask.

Ms. Meyers. Thank you, Mr. Chairman. Yes; I do.

As I understand it, SBA is suggesting that in the 1990 budget that the guaranty percentage, which is currently 90 percent for a zero to \$55,000 loan, would be only a 75-percent guaranty, and that the \$155,000 to \$750,000 loan amount, which is currently guaranteed at 85 percent, would be guaranteed at 75 percent, and I presume that same maximum guaranty level, that it could be below that, but that 75 percent then would be the maximum guaranty.

I generally have been in favor of more modest guaranteed amounts, because it seems to me that it is appropriate that the bank look very, very carefully at loans so that the loans will be solid.

However, 75 percent at a cap does seem like a rather dramatic departure from the past, and I would like to ask Mr. Holtke what impact he thinks this would have if the maximum amount that could be guaranteed were 75 percent.

Mr. HOLTKE. In our particular instance, in our bank, we would probably continue to pursue the program as actively as we present-

ly are, because we are a preferred lender. A preferred lender presently has a 75-percent maximum guaranty.

Now, we can pursue loans under the Certified Lender Program as well, and at this point, either obtain, if a loan is less than \$155,000, obtain a 90-percent guaranty, or, if it exceeds that, 85-percent guaranty.

Part of the program that all lenders, however, have had is turn-around time. In other words, decisionmaking time, the process that we need to go through, the timing to allow for, as it relates to the SBA's actual function within the district offices.

Part of the difficulty is, and I am speaking here very personally and from prior personal experience of having been an SBA employee, it has been my opinion, and still is my opinion that the individual district offices, to a great degree, are not properly staffed and, in many cases, not properly trained.

The training factor, as I understand it, has turned to some extent now. There is a program that they are going through, and I applaud that.

As far as the timing on CLP loans, that is actually a contract between the SBA and the bank in which they guaranty a 3-day turn-around time. I do not think that has ever happened. There are some districts in the United States, as I understand, that have as long as maybe a 30- to 45-day turn-around time.

I can speak somewhat favorably for the Kansas City district office. They do not quite meet the 3-day turn-around time, but they are considerably better.

Speaking for a moment from NAGGL's point of view, we feel that, heretofore, the preferred lenders have been required to settle with a 75-percent guaranty whereas other loan programs that—the preferred lenders could also participate in, I might add—had a 90 percent and/or 85 percent available to them.

In one sense of the word, it appears as though the preferred lenders are being penalized guaranty-wise for being proficient, efficient, and so on. That is not the position that the SBA has taken. They have felt that since we are allowed to make our own decision in-house, and so on, and what have you, then consequently we should be willing to take a lesser guaranty.

I think NAGGL's position is one basically of wanting consistency more than anything. NAGGL would not, I do not think, be adverse to a flat 80-percent guaranty on all loans.

One of the problems also is we see that the SBA presently is advocating the elimination of loans under \$155,000 from the PLP Program. As a small bank, in a small community that represents small businesses, quite honestly this would definitely be a hardship on our bank, and we feel to our constituents, our customers. I have to feel that the same would be true no matter where you go in the United States.

The Small Loan Program, we feel, is very important as it is presently—well, I guess proposed by Congress—would allow loans under \$155,000 to be made by preferred lenders. It also provided, as I understand, for some lessening of the paper work. I do not know that I personally do totally agree that you have to lessen the paper work. Maybe provide the banks with the ability to streamline it a little bit. The main thing is to get the information that is neces-

sary, make as solid a loan as possible. You have to have the information in order to make decisions.

Did I go too far beyond, or did that pretty well answer your question?

Ms. MEYERS. No; I think that was a very complete answer.

From what you have said, Mr. Holtke, I think you said that the lowering of the guaranty amount is not as significant a factor to you as you would not like to have the zero to \$155,000 loans taken away from preferred lenders. You think consistency is important. In other words, the same ceiling for preferred lenders as for others, and the turn-around time is very important to you at SBA. Maybe the 3-day limit does not have to be met exactly, but when it gets to be as much as a 30- to 45-day turn-around time, that poses great difficulties not only for the businesses but for the banks. I appreciate your answer.

Chairman LAFALCE. Let me clarify something.

Is it not true that SBA did have a policy of only 75-percent guarantee for preferred lenders until the passage of the 1988 legislation? Is that correct?

Mr. HOLTKE. That is correct.

Chairman LAFALCE. Is it also not true that it was the position of NAGGL that this was discriminatory against preferred lenders and that NAGGL fully supported an increase in that guarantee commensurate with the guarantee that was given to Certified and other lenders?

Mr. HOLTKE. That is correct.

Chairman LAFALCE. So, as a compromise with the Small Business Administration, the statute last year on a bipartisan basis increased the guarantee to 85 percent for loans under \$155,000 and to 80 percent for loans between \$155,000 and \$750,000 which were made under the Preferred Lender Program. NAGGL supports that compromise provision; correct?

Mr. HOLTKE. We did at that time; yes.

Chairman LAFALCE. You did at the time. But you have some qualms now because SBA has made a proposal to eliminate all guarantees for loans under \$155,000, is that correct?

Mr. HOLTKE. Available to PLP lenders.

Chairman LAFALCE. Yes; available to PLP.

Mr. HOLTKE. Yes.

Chairman LAFALCE. So, is it fair to say that some of your responses to Mrs. Meyers were because of the prospect of SBA's proposal to eliminate the ability of preferred lenders to give any guarantee whatsoever for small loans?

Mr. HOLTKE. Yes; that is a fair statement.

Chairman LAFALCE. Thank you. I think that we needed to put that into some perspective, Mrs. Meyers. I do have questions that I want to hold, but I felt that it was necessary to put it in some greater perspective at this point.

Let me turn to other members of the committee. Mr. Holloway.

Mr. HOLLOWAY. Regardless of whether the loans are 75 or 85, do you notice a difference in the number of loans that you have to refuse?

Mr. HOLTKE. I am sorry, are you directing that to me, sir?

Mr. HOLLOWAY. Any one of the three of you.

Do you notice a difference when a guarantee goes up on the caliber of client that you have?

Mr. HOLTKE. I have to say no; if the guarantee goes up, no, it does not affect our particular bank. It possibly would some. You still have the same basic practice in processing a loan. You have to have good information, and you hopefully have a good credit that you are dealing with. I do not see any reason for a major increase as it relates to increasing the amount of the guarantee.

Mr. HOLLOWAY. I know that we have had to write off a tremendous amount of loans over the last few years. I think that the figure was about \$2 billion last year. As much as anything, that is something which concerns me. In my State, I do not know of businesses that could not have made it. However, I feel that they could have made it with good management.

Chairman LAFALCE. Mr. Holloway, I do not wish to dispute you on your figures, but it is my belief that figure is probably egregiously in error. But I am not confident of that until I have that in writing, so I want to suspend judgment.

Mr. HOLLOWAY. I am just saying that whatever the figure is, there is a tremendous amount of loans that has been written off that we have had to write off on this committee. Regardless of whether I am correct on the figure, it is a large amount. There is a statement that said we dropped from \$4 billion in loans to of course \$2.5 billion available.

Have there been a lot of people who have been refused since that time?

Mr. HOLTKE. I really can only address the issue to West Virginia where my bank is located.

Mr. HOLLOWAY. Right. That is good.

Mr. HOLTKE. We have had an economic downturn in our State that has probably, by its very nature, reduced the amount of requests for any business lending. We, in our bank, made a conscious decision to back off of the number of SBA loans that we were doing. Of course, quite frankly, prior to that date, a fair amount of our SBA lending was startup venture, and it was very successful for us through the 1970's. It created jobs, and it created an economic base in our community.

By the same token, and this is sort of coupled with your last question, of the percentage of guarantees, we have to take a percentage of loss of any losses that are afforded in the program. So, therefore, whether it be a 10-percent or a 20-percent position, I do not want either one in terms of loss.

We backed off of our startup venture type SBA lending in the early 1980's because, quite frankly, our economy was just not supportive of that kind of lending. It is now somewhat on the way back, and we are looking at that again in our bank. But I think that the economy of West Virginia softened the demand on it though.

Mr. HOLLOWAY. Thank you. I have no more questions, Mr. Chairman.

Chairman LAFALCE. Mr. Hayes, did you have any questions?

Mr. HAYES. Let me just apologize to you, Mr. Chairman, and to other members of the committee for my tardiness. As you well know, when you are assigned to two committees and they both

meet at the same time, it is rather difficult, particularly when you have a markup on full committee, and you have to be there.

I just want to raise one question, I guess of Mr. Holtke. I notice from your statement that you are in a rather unique position as I see it, having served 20 years as a member of the SBA administrative authority.

Mr. HOLTKE. Approximately 10 years with SBA, sir. I have been involved with SBA lending and the SBA as an agency for approximately 20 years.

Mr. HAYES. That was not simultaneous, was it? Maybe you can describe to me a little bit, there was no conflict of interest or anything involved?

Mr. HOLTKE. No.

Mr. HAYES. But it is a unique position to be in.

Mr. HOLTKE. From the standpoint, I think, of behind the scenes and knowledge of the programs and how they work, and a lot of the problems that the agency has had, a lot of the problems of the individual small businesses. Yes; I consider it unique from that angle.

Mr. HAYES. That is the only question that I had, Mr. Chairman.

Chairman LAFALCE. Thank you.

Mrs. MEYERS. Mr. Chairman, just to make it clear.

Mr. Holtke, you have never served simultaneously on a bank and with the SBA?

Mr. HOLTKE. No; I am sorry, I misunderstood.

Mrs. MEYERS. I thought that there was some misunderstanding there. You were with the SBA first.

Mr. HOLTKE. Yes; that is correct.

Mrs. MEYERS. Then, for about the last 10 years you have been in banking.

Mr. HOLTKE. That is right.

Chairman LAFALCE. Thank you.

Mr. Hiler, do you have any questions?

Mr. HILER. Thank you, Mr. Chairman.

I have a question directed at the two bankers. There was an article in American Banker that I think that the chairman distributed to us on January 13, 1989. I do not expect you to remember the article. But it was a very glowing article on the SBA Guaranteed Loan Program. The headline was Small Business Loan, Focused Way To Raise Profits. There is a quote in here by a person at Truckee River Bank. "We are in it because it is so profitable and because we are highly expert at processing these loans." I do get a little bit concerned when Government guarantees become focused ways to raise profits. Maybe you can tell me a little bit about what the profitability is on these types of loans in your respective institutions and maybe what you think fair profits are. Are these loans more profitable than the average portfolio that you have? Any comments that you have on the profitability side of your respective institutions.

Mr. HOLTKE. I might start by telling you that I know the gentleman from Truckee, and he is a very aggressive SBA lender. A great deal of that article, I believe, talks about the service fee and his strategy of running his bank. He sells the guaranteed portion in the secondary market and operates for service fee which is a

noninterest spread income to his bank but a service fee income rather, and that is the sort of strategy that many community bankers are headed toward today. In our bank, we have a similar strategy, but we are doing it with the residential mortgage market.

Mr. HILER. But it is simpler than mortgage servicing rates.

Mr. HOLTKE. Exactly right. So, he has a very aggressive SBA Lending Program throughout California where he brings the loans back into his bank, and then moves them on to the secondary market, and generates a service fee. I agree with that strategy, and I think that by the same token that he serves his market well in making the loans available. I think that SBA loans to a degree used that way can be a very profitable portfolio product or off portfolio I should say.

I do not think that in any way hurts the marketplace. That provides additional capital to our communities on an ongoing basis. It allows us a liquidity, if you would, in making a loan and bringing it into our bank's portfolio even if we do not do it day one, even if we bring that loan into portfolio, and when the day comes that we need to have additional funds for another venture, or another businessman, or whatever the matter, that there is a way through the secondary market to put that guaranteed portion out.

So, I would suggest that yes; I think that it is a profitable way of doing business, but certainly well within the constraints of what everybody would expect.

Mr. HILER. I do not disagree with that. It seems to me that banks should insulate themselves from risk. The chairman and I sit on the Banking Committee going through the long drawn out discussions on the S&L bill. I suspect that if we had not allowed interest rates spread risk back in the early 1980's that we probably would not be faced with some of the problems that we have today.

But to be able to package those and sell those in the secondary market, obviously, the secondary market must think that at the relative level of guarantee relative to the risk associated with a basket of those loans that they are getting very, very good returns on those specific loans as well. Somebody is ultimately buying a basket of those loans and taking the risk on those loans, and they are making a judgment that says that the return that we are getting for the risk that we are taking in factoring in the guarantee that this is a very, very good deal for us.

Mr. HOLTKE. I think that the market is obviously accepting the loan as a value for the return, or they would not buy them. I do not disagree with that. On the other hand, I do not find it a wind-fall-type profit. I think that it is a reasonable profit in the marketplace just again as the mortgage market operates and find it accordingly.

Chairman LAFALCE. I just want to point out something. Over the years, I have done whatever I could to facilitate the development of a secondary market for SBA guaranteed loans, and I think that it is very appropriate. I think that there is a very important role to be played by the secondary market with respect to SBA guaranteed loans, and I do not think that we have developed that nearly as fully as we should.

But I am concerned with a much larger world than that. I am glad that Mr. Hiler has opened up this line of inquiry, because the

SBA guarantees but a small portion of the totality of small business loans given by commercial lenders in the United States of America. There is a vast unmet need on the part of the small business community for loans both guaranteed and unguaranteed, primarily unguaranteed. A few years ago, I proposed what I, at that time, called FIMA, the Federal Industrial Mortgage Association, which would have been a Government-sponsored enterprise that could have facilitated the development of a secondary market for industrial loans with or without a guarantee—for the most part without a guarantee. It would be similar to what Fannie Mae did in order to facilitate the development of a secondary market for residential mortgages, without which, for a good period of time, there would have been no residential mortgage market.

I will be making a similar proposal in the near future. I have been working on this for months. I will be making this proposal, though, in a way that will bring it within the jurisdiction of the Small Business Committee. I will have some difficulties because of the knee-jerk Pavlovian responses on the part of individuals who sometimes will say no more Government-sponsored enterprises, and yet, for those who know me, my intent is to facilitate development of the market and have a self-destructing agency. Once that market is facilitated and developed, then there would be no reason for the existence of that Government-sponsored enterprise. If I could work together with the administration and with everyone on this committee to try to develop such a vehicle that could facilitate the development of this market in the private sector and then have the Government-sponsored enterprise go out of existence, that is my desire.

Although, I think that I want to facilitate the development of this secondary market for both guaranteed and nonguaranteed loans. My primary desire is to facilitate it with nonguaranteed loans, so that we could have a secondary market for nonguaranteed loans similar to the secondary market that we have for residential loans right now.

Now, there are considerable greater difficulties in developing a secondary market for industrial loans, industrial as opposed to commercial loans, because with industrial loans you have a piece of property that is tied to the loan or a piece of equipment that is tied to the loan which, I think, would enhance the ability to develop that type of market. But we will work on it.

I think that this will be received very, very well by Wall Street, by the Merrill Lynches, the Goldman Sachs, the Solomon Brothers of this world. I think that it should be received fairly well by the financial community. I know that the independent bankers representing primarily smaller bankers will want to ensure that it is something that they could take advantage of just as readily as major money center banks or major regional banks could take advantage of it. That is why I would look forward to working very closely with the IBAA also to ensure that happens.

This is probably something that the National Association of Government Guaranteed Lenders could care less about because this could be competition. But there are all types of services that are needed. I do not see this diminishing the need for the services of entities such as those members of NAGGL at all. But I also think

that it is one possible viable way of dealing with the budgetary constraints of Gramm-Rudman that are being applied as inappropriately as I think that they are being applied to SBA guarantees as well as to everything else.

I agree with you that we ought to distinguish between the type of Government investment or Government guarantee, and on that totem pole, the SBA guarantee should have one of the very highest priorities. But we live in the real world, and I am trying to come up with as responsible and innovative a response to the budget crunch as is possible, and maybe, with some good faith and give on everybody's part, we might be able to do something.

Mr. HILER. If I might just claim my time.

Chairman LAFALCE. Sure.

Mr. HILER. I appreciate the comments of the chairman. I think that the key question that comes up with any development of a new Government-sponsored enterprise like FIMA as a concept is to what degree there is an explicit or implicit Government guarantee behind those funds, and I think that sometimes has a lot to do with how well it will sell on the marketplace.

I would close with just a comment. It seems to me that there is some relationship that is quantifiable between the level of guarantee and the relative amount of profitability that would come from a loan, and that the only thing that concerns me about this article that was in the American Banker is not that the secondary market has been developed or that the banks are using it, as I think that is a good thing to do.

But if there is too high of a return relative to the amount of risk that is being absorbed, then I think that we have to question at the Federal level whether or not that guarantee is too high, particularly, if by lowering the guarantee that would increase the amount of money that would be available for other loans in a time period where we are not only bumping the ceiling, but the demand is exceeding the ceiling. I think that is something that we will want to consider.

Chairman LAFALCE. Mr. Engel, do you have any questions?

Mr. ENGEL. I just would to request, Mr. Chairman, I have a statement, and I would like to ask to submit it to the record.

Chairman LAFALCE. Without objection, so ordered.

[Mr. Engel's statement may be found in the appendix.]

Mr. ENGEL. I just have one quick question for Mr. Baird, and forgive me if you have already answered this. In your testimony I noticed that you said that there are a number of regulatory changes that your association believes could be made to substantially reduce unnecessary program restrictions without increasing program costs or hurting program effectiveness in any way, and that you are involved in ongoing discussions with the SBA. I am wondering if you could just capsule it or give us a few of those.

Mr. BAIRD. There are a number of program restrictions. I guess what would probably be the easiest thing to do would be to give you an example of several.

Mr. ENGEL. Fine.

Mr. BAIRD. Small Business Administration development company financing, 504 loans. For example, in the area of financing certain types of service businesses, like a restaurant for example. The rules

stipulate that in addition to meeting all of the job retention and creation requirements in financing a restaurant or a recreational-oriented project that the specific project has to meet some community benefit redevelopment test in excess of the regular standard of the program which is just the retention and creation of a substantial number of jobs.

Let me also say that any one example is not going to mean a lot by itself. But when we are dealing with 10 or 20 regulatory issues together, all of a sudden a quarter of our market is gone.

We finance real estate for expanding small companies in the 504 Program. Oftentimes, when properties are sold, sellers are willing to carry back financing to facilitate a sale. The 504 Program is structured, and one of the ways that it obtains the very high amount of financial leverage that it does is by subordinating the private loans. We subordinate routinely to private nonguaranteed loans provided by banks, savings and loans, et cetera.

There is a regulatory prohibition that prohibits us from subordinating the seller financing, even when the seller financing would be cheaper for the small business concern purchasing the property, both in terms of interest rates, and loan fees, and transaction costs.

These are just a couple of things or examples of the minutiae of the program, if you will. But 10 or 15 of those issues taken together preclude us from, in our association's opinion, fully servicing the market and fully providing the assistance to small businesses that we could.

Mr. ENGEL. Do you feel that you are making headway with the SBA in this regard? Are they receptive to these types of things?

Mr. BAIRD. Yes; I think that recently we have been, although we really have a series of ongoing negotiations that we are working on right now.

Mr. ENGEL. Thank you very much, Mr. Baird.

Thank you, Mr. Chairman.

Chairman LAFALCE. Thank you, Mr. Engel.

Mr. Poshard, do you have any questions that you would like to ask?

Mr. POSHARD. No, thank you, Mr. Chairman.

Chairman LAFALCE. Does anyone wish to make any comments regarding the statements that I made with respect to the secondary market?

Mr. VALLANDINGHAM. Yes; I would like to say that IBAA does applaud that type of thinking, and that we do believe that there is a need for an additional secondary market for business loans. I think that the recent crisis of the FSLIC points out the absolute necessity for banks and thrifts around this country to have as much liquidity available to them as possible at all times. That type of market would afford an avenue of liquidity even if I chose to own that loan and keep it in my portfolio for a period of time.

As long as it was properly documented and could be substantiated that it was current, and active, and proper, then theoretically, that market could take that loan on at a later time, providing liquidity.

We would certainly be interested in making sure that the smaller community banks have access to such a market. A direct-funding mechanism would be very important to the smaller banks of

America, inasmuch as often these type of loans for industrial development exceed smaller banks' lending limits, and they need a mechanism by which they could overcome the lending-limit problem.

Chairman LAFALCE. I have additional questions. But the Banking Committee conference started at 10 a.m., and I am apprised that they are taking up my amendment now. Therefore, I really should get down immediately to the Banking Committee conference.

Are there any other questions that the gentlemen have?

[No response.]

Chairman LAFALCE. I want to thank you very much for your testimony and for your insights. They have been extremely helpful to this committee in its deliberations on how we are going to deal with this very difficult problem. Thank you.

[Whereupon, at 11:00 a.m., the committee was adjourned, subject to the call of the Chair.]

APPENDIX

Opening Statement of
the Honorable Joseph M. McDade
Hearing on the Impact of Budget Problems on SBA's
Financial Assistance Programs
Room 2359 Rayburn House Office Building
July 19, 1989

Mr. Chairman, today we are here to discuss the fundamental necessity of nearly every small business in this country: capital. This money is needed to start new enterprises and then for expanding them when these small enterprises have proven their ability to succeed in today's rapidly changing economy. It was the recognition of a lack of privately available financial resources that led to the creation of both of the programs on today's agenda: the 7(a) guaranteed business loan program and the 504 Certified Development Company program.

In too many instances today, enthusiastic small entrepreneurs take a workable idea to a commercial bank only to be turned away, given no opportunity to succeed or fail. That's when they turn to the U.S. Small Business Administration and, more often than not, to the 7(a) program. The 7(a) program is where dreams are given the chance of becoming reality. Compaq Computers and Nike looked to this program for assistance, and I'm sure that their workers and other businesses that have spun off of their examples are grateful that this program existed.

Since the founding of this country, Americans have believed that one person with a good idea deserves every chance to succeed. Many in this nation have relied on this principle for so long that it has become known as the American dream. Indeed, it sums up our character as a people: a willingness to risk failure, an eagerness for the opportunity to

prove the soundness of our ideas, a tenacity for building better lives for our families and our neighbors. This flame of the spirit continues to burn brightly as the 21st century looms on the horizon. For this reason we owe it to the builders of tomorrow to continue the assistance offered by the 7(a) program.

The 504 program is simply bricks and mortar -- the ingredients of economic expansion. Whereas the 7(a) program gives money to small firms in hopes that the endeavor will succeed, the Certified Development Company program lends to successful establishments, giving them the opportunity for growth. This is a good idea that has helped play a role in transforming the American economy over the last decade.

America has become a giant by standing on the shoulders of her adventurers: her entrepreneurs. The 7(a) and 504 programs have provided hope for these risk-takers. If this nation is to continue to grow and prosper, we must make sure that these believers in the American dream find the assistance and support required to make their ambitions a reality.

SILVIO O. CONTE
First District, Massachusetts

COMMITTEE ON APPROPRIATIONS
Ranking Republican Member
Subcommittees:

LABOR—HEALTH AND HUMAN
SERVICES—EDUCATION
TRANSPORTATION

LEGISLATIVE
EXTENSION MEMBERS
OF ALL SUBCOMMITTEES

COMMITTEE ON SMALL BUSINESS
Subcommittees on
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Congress of the United States
House of Representatives
Washington, DC 20515

WASHINGTON ADDRESS:
2300 RAYBURN OFFICE BUILDING
WASHINGTON, DC 20515
Phone: 202-225-6338

DISTRICT OFFICES:
FEDERAL BUILDING
78 CENTER STREET
PITTSFIELD, MA 01201
Phone: 413-442-0848

187 HIGH STREET
HOLYOKE, MA 01040
Phone: 413-832-7010

Opening Remarks of the Honorable Silvio O. Conte
Hearing on SBA Loan Programs
July 19, 1989

Thank you Mr. Chairman. On February 22, 1989 the Committee held a hearing on the Small Business Administration's 7(a) guaranteed loan program to discuss the impact of increase demand on existing authorizations. In testimony, 7(a) guaranteed lenders predicted that, without relief, the program would suffer a \$200 to \$600 million shortfall. Shortly thereafter, Congress and the Administration agreed to reprogram \$200 million in remedial relief of the anticipated shortfall.

Last year, the Small Business Committee approved H.R. 4174 (P.L. 100 - 590) which created, among other things, a simplified preferred small loan program and changed the guaranteed percentage levels for the preferred lending program. While this helps to ration funds, it will also, undoubtedly, further spur demand. Now, in the FY90 budget the SBA is faced with Gramm - Rudman - Hollings cuts that would reduce the appropriations for all SBA loan guarantees from \$3.154 billion to \$3.033 billion for a mandated reduction of \$121 million. Faced with increased demand and budget cutbacks it is very important that the Committee and the SBA exchange opinions now regarding long and short term goals and options on how to best manage anticipated demands.

I commend the chair for convening this hearing and look forward to the testimony of our distinguished panelists, Ed Holloway, Larry Rosenbaum and Charles Hertzberg from the SBA.



U.S. Small Business Administration
Washington, DC 20416

STATEMENT OF
EDWIN T. HOLLOWAY
ASSOCIATE ADMINISTRATOR FOR FINANCE AND INVESTMENT
U.S. SMALL BUSINESS ADMINISTRATION
BEFORE THE
COMMITTEE ON SMALL BUSINESS
U.S. HOUSE OF REPRESENTATIVES
JULY 19, 1989

Mr. Chairman and distinguished members of the Committee:

I wish to thank you for the opportunity to appear here today. Accompanying me are Lawrence R. Rosenbaum, Comptroller and Charles R. Hertzberg, Deputy Associate Administrator for Financial Assistance.

I have organized my prepared testimony according to the subjects you asked the agency to address in your July 11 letter of invitation.

Budgetary Status

Let me first turn to the budgetary situation. In Fiscal 1988, in the General Business category, loan guaranty demand exceeded appropriated funds at the close of the year. This rate of demand continued into Fiscal 1989, and it was apparent in the first quarter that the program level provided in our current appropriation would be insufficient to meet the demand.

There were several likely reasons for this dramatic growth in guaranty demand. One reason, of course, was an increase in the statutory limit on SBA guarantees in August of 1988 from \$500,000 to \$750,000 through a provision in the International Trade Act. Other likely factors include --

A strong economy;

The growing popularity of the secondary market;

And finally an acceptance of the fact that the Small Business Administration would remain in place and that its programs would continue to operate.

Because of the shortfall, it was necessary to limit fund

usage in several ways late in the first quarter of fiscal year 1989. The most significant was a restriction on use of proceeds in the repayment of existing debt.

The funding insufficiency was addressed late in the second quarter through a reprogramming which increased the funding level from \$2.4 billion to \$2.6 billion. This has enabled us to get into the fourth quarter without a shortfall. With the approval of the reprogramming, the restriction on debt payment was substantially eased. Copies of the Notices to our field offices are attached to my prepared statement.

The dramatic growth in loan demand thus far does not reflect the effect of any of the several statutory additions to Agency authority, other than the guaranty ceiling increase to \$750,000. In August of 1988, the International Trade Act further raised the guaranty ceiling to \$1 million for fixed assets and an additional \$250,000 for working capital where an eligible small business would be involved in, or has been adversely affected by, international trade. Final regulations have recently been published for this program and it is now in effect. While it is certain to have an effect on loan demand, it is too early to know the magnitude of that effect.

With new authorities in full operation, 7(a) demand levels could very well exceed the adjusted Fiscal 1989 level of \$2.6 billion. With this in mind, SBA will revise its FY 1990 request from \$2.4 billion to the fully authorized level of \$2.9 billion, in exchange for other Administration proposals. This is a \$500 million increase over the original 1989 level and a \$300 million increase over the current level for 1989.

The Development Company program level for FY 1989 is \$365 million after the reprogramming. This includes both the 502 and the 504 loan programs. This program level will be adequate for FY 89. As of June 30, 1989, 904 loans had been approved for \$273 million. At the present rate, we will fully utilize the appropriated level for 1989. A level of \$332 million has been requested for 1990.

Implementation of Financial Aspects of
SBA Reauthorization Act

I next turn to SBA's implementation of the financial aspects of The Small Business Administration Reauthorization and Amendment Act of 1988 (P.L. 100-590). This was signed into law in November of 1988, and provided for a number of program changes and additions. The following is the requested status report on various

provisions of that Act:

Small Loan Program (Section 101). The Act created a new program under which Certified and Preferred lenders may retain one-half of the two percent loan guaranty fee on loans of \$50,000 or less. The cost of processing and servicing a small business loan does not vary much with loan size. But lender income is proportionate to the size of the loan. Therefore, smaller commercial loans tend to be less profitable. The aim of this provision is to increase lenders's willingness to make small loans by making it more profitable for them to do so. The program also calls for a simplification of the forms used in the application for such loans. Proposed regulations have been issued, and comments have been received and analyzed. After additional discussion with the staff of this Committee, final regulations have been completed and are in the clearance process for publication.

PLP guaranty percentage (Section 103). The differential in the percentage guaranty between the Preferred Lender Program and other loans is limited to 5 percentage points by the Reauthorization Act. Proposed regulations have been issued which would

implement this requirement with respect to loans in excess of \$155,000, and would prohibit the sale of any part of the unguaranteed portion. The proposal eliminates from PLP eligibility loans of \$155,000 or less. The comment period expired on June 19. A substantial number of comments were received on this proposal, and are now being reviewed and analyzed.

Data System to evaluate the effectiveness of SBA programs (Section 109). A partial report, focusing on the 7(a) loan guaranty program, has been prepared and will be presented to Congress in the very near future. Additional information focussing on the other programs will be provided at a later date.

Report on the source of income of certified development companies (Section 117 (c)). A report has been prepared and generally approved by OMB, with one exception. That one remaining issue is under discussion with OMB, to be resolved shortly, at which point the report will be forwarded to the Committee.

Report analyzing the financing sources for the service sector of the economy (Section 125). This report is to be prepared by the Office of Advocacy and was due on June 1. The Administrator wrote the Chairman on June

12 that completion has been held up by uncontrollable delays in producing the data necessary for the report. A copy of her letter is attached.

Licenses of Inactive Small Business Lending Companies

The Small Business Lending Company program was commenced in the early 1970's and regulations and operating standards were established. Because of a lack of regulatory resources, in August of 1981 notice was published in the Federal Register stating our intent to close the program to additional entrants. On January 4, 1982 a notice was published declaring that applications for SBLC status would no longer be accepted, but that those on hand would be processed to completion.

Eight of the sixteen licensed SBLC's have been inactive, with four of them never having made a single loan. In the past several years, several requests were received from applicants seeking SBLC status. All were denied.

On October 26, 1987, we published a Notice in the Federal Register expressing our intent to cancel inactive licenses. Initial decisions to revoke the licenses of inactive lenders have been issued by the SBA Office of Hearings and Appeals in the cases of the four totally inactive SBLC's. Two have chosen not to appeal. In the

case of Merrill Lynch (sought by the National Association of Development Companies Group) and General Electric (requested by the National Development Council group), the time period in which to file an appeal does not expire until late July.

Prior to the expiration of the appeal period in those cases, the issue was brought to the Administrator's attention. Upon review of the background of these cases, she indicated to the applicants that the Agency would interpose no objection to the appeals of the revocation decisions and would consider the transfers favorably, if upon review the applications were found acceptable.

Mr. Chairman, this concludes my prepared testimony. I would be pleased to respond to any questions that you may have.

SMALL BUSINESS ADMINISTRATION

SBA NOTICE

TO:

All RA's, ARA's, F&I, DO's and ADD's, F&I

NOTICE NO.

5000-249

EFFECTIVE

3/27/89

SUBJECT:

Use of SBA 7(a) Loan Proceeds for Repayment of Debt

This Notice rescinds Notice 5000-242.

The demand for 7(a) Loan Funds has been eased by a reprogramming, but continues to exceed availability. In order to equitably meet the needs of the small business community, effective immediately, new applications for the 7(a) business loan guaranties will be subject to the following:

- There is to be no reduction in the participant's exposure. The participating lender's minimum participation will at least equal the participant's loans being refinanced. (with the exception of interim advances in accordance with the provisions of SOP 50-10, para. 2d (4))

Offices should avoid refinancing existing SBA loans, if possible, especially where the participant is the obligee of the existing loan.

Reduction in the exposure of other lending institutions (not the participant) will be permitted as follows:

- a) The debt refinancing constraints of SOP 50-10 para. 5d(3) will apply.
- b) There must be a compelling need on the part of the small business for debt payment. Debt that is meeting the needs of the small business, and structured on a reasonable basis, shall not be refinanced. All provisions of 50-10 Para. 2d will apply.
- c) Loans for debt payment should not be extended in marginal credit situations. Justification for debt payment should include the following:
 - 1) Clear evidence of repayment ability
 - 2) A reasonable equity position in comparison with comparable external trade averages.
 - 3) A good credit history of the applicant.
- Payment of trade payables is not considered debt payment, but will be considered as working capital.

EXPIRES 9-1-89

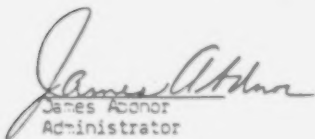
PAGE 1

SBA Form 1353 (3-83)

These restrictions apply to all categories of 7(a) loan guaranties. Development company (502 and 504) guaranties are not affected.

Consideration is being given to temporarily reducing SBA's maximum guaranty to \$500,000. You will be advised as soon as a decision is made.

Any questions should be addressed to Everett Shell, Director, Office of Business Loans (FTS 653-6470).


James Adnor
Administrator

SMALL BUSINESS ADMINISTRATION

SBA NOTICE

NOTICE NO. 5000-242

TO: All RA's, ARA's F&I, DD's, and ADD's F&I

2-10-89

EFFECTIVE

SUBJECT: Temporary limitation on use of SBA 7(a) loan proceeds for repayment of debt

The demand for 7(a) loan funds currently exceeds available amounts. In order to ease this shortage, effective immediately, new applications for 7(a) business loan guarantees will be subject to the following restrictions:

- o Outstanding SBA loans will not be refinanced with new SBA loans. If a borrower requires additional funds, the new loan will be so structured by reamortization or otherwise that the existing loan remains outstanding.
- o No reduction in a participant lender's exposure or of the exposure of other lending institutions will be permitted. Accordingly, where a participating lender increases its participation percentage to an extent sufficient to cover at least all of the outstanding debt, SBA will extend its guaranty to that part of the loan which does not include the outstanding debt.

Example: a loan is approved for \$400,000, of which \$50,000 is to pay debt to the participant, \$50,000 to pay debt to another lender, and \$300,000 is for the purchase of machinery and equipment. In this case a 25% participation would be required so that the lender's exposure in the loan will at least

EXPIRES 10/1/89

SBA Form 1353 (3-83)

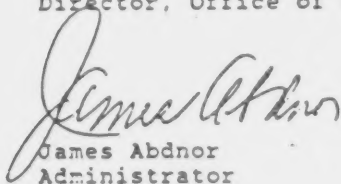
equal the loan amounts used for pre-existing debt payment. An alternative would be to reduce the loan by \$50,000, eliminating payment of the other lender if the participant is unwilling to take more than 15%, and if repayment ability would still exist.

- o Payment of trade payables is not considered debt repayment, but will be treated as working capital. Participating lenders may also continue to make interim advances in anticipation of reimbursement from SBA financing, as provided in SOP 5C-10, paragraph 2d.(4).

These debt payment limitations are a temporary constraint to help manage the shortage of funds. In some regions restrictions have already been placed on debt payment. However we must have a consistent national policy. The constraints are effective until further notice.

These restrictions apply to all categories of 7(a) loan guarantees. Development Company (502 and 504) guarantees are not affected.

Any questions should be addressed to Everett Shell, Director, Office of Business Loans (FTS 653-6470)


James Abdnor
Administrator



FILE OF THE ADMINISTRATOR

U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

6/12/89

Honorable John LaFalce
Chairman
Committee on Small Business
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

Section 126 of Public Law 100-590 calls for the preparation of a report on the financing of service businesses. The report is to be prepared by the Office of Advocacy and submitted to the House and Senate Small Business Committees on June 1, 1989. The Office of Advocacy has initiated work on the project, but will not be able to complete the request by June 1 because of uncontrollable delays in the production of data necessary for the report.

The Small Business Administration intends that the Report on the Financing of Service Businesses will be submitted by September 1, 1989.

Two major data sources are being used to support the analysis planned for the report. These sources are:

- o A series of extract reports from the Characteristics of Business Ownership Survey conducted by the Bureau of the Census;
- o Tabulations to be obtained from a joint survey project being conducted by the Federal Reserve Board and the Small Business Administration.

Both the Bureau of the Census and the Federal Reserve Board have been fully supportive of requests from the Office of Advocacy for preparation of special reports or tabulations. Requests have been held up, in the case of the Census, by the time required to install and program a new computer. The Federal Reserve Board has been delayed in completing the sample survey being used to collect extensive financial data from small businesses.

I anticipate that the Office of Advocacy will receive necessary output tapes from the cooperating agencies sometime around the first of July. It will take approximately two months from the date of receipt to perform the necessary programming and analysis of the data, and complete the writing of the report. Barring unforeseen delays, therefore, a complete report could be forwarded to the Congress on September 1, 1989.

I hope that this unavoidable delay does not inconvenience the Committee.

Sincerely,

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Susan Engeleiter
Administrator

cc: Honorable Dale Bumpers
Honorable Joseph McDade
Honorable Rudy Boschwitz
Frank S. Swain

ADDITIONAL INFORMATION IN RESPONSE TO MR. HAYES' REQUEST

GENERAL BUSINESS GUARANTEE LOANS

FISCAL YEAR	REGION	TOTAL LOANS			TOTAL LESS WOMEN		
		NO. LOANS	TOTAL AMOUNT	SBA AMOUNT	NO. LOANS	TOTAL AMOUNT	SBA AMOUNT
87	01	939	173,760,805	139,498,983	836	161,510,855	129,329,137
87	02	1,051	210,229,111	167,324,524	944	196,449,311	155,876,284
87	03	574	108,791,807	88,223,842	502	98,783,707	80,042,658
87	04	1,760	408,897,790	325,893,463	1,563	375,744,005	298,810,178
87	05	1,835	375,366,613	301,846,073	1,662	348,764,763	279,748,203
87	06	1,691	329,262,515	264,883,354	1,525	306,231,136	245,912,345
87	07	2,174	300,969,693	243,652,001	1,952	282,507,537	228,120,985
87	08	1,341	234,739,046	187,939,243	1,207	219,644,768	175,406,522
87	09	2,390	490,507,237	409,396,239	2,178	455,642,853	380,379,584
87	10	774	130,566,041	108,658,211	699	121,343,722	100,922,715
87	TOTAL	14,529	2,763,090,659	2,237,315,938	13,068	2,566,622,658	2,074,548,615
88	01	1,200	232,655,374	183,940,201	1,079	216,882,944	171,124,613
88	02	1,146	214,168,633	169,837,910	996	192,145,088	151,867,424
88	03	580	113,666,589	90,325,092	497	102,241,089	80,774,008
88	04	2,059	491,922,448	396,510,930	1,717	421,221,617	339,249,756
88	05	1,839	402,372,338	319,647,495	1,667	378,461,970	299,844,370
88	06	1,836	389,480,748	312,942,271	1,645	358,602,509	287,354,162
88	07	1,850	253,109,209	204,554,039	1,647	238,065,666	191,675,699
88	08	1,920	182,955,337	146,812,280	1,791	168,974,840	135,303,140
88	09	2,549	572,800,771	474,112,556	2,283	526,246,247	435,649,157
88	10	808	147,685,393	121,349,017	697	132,098,523	108,329,871
88	TOTAL	14,987	3,000,816,846	2,420,031,795	13,219	2,734,940,494	2,201,172,204
89	01	864	169,309,421	135,797,603	745	155,263,634	124,473,362
89	02	900	172,597,279	141,527,211	776	157,891,819	129,245,181
89	03	438	99,346,653	79,063,876	353	84,963,955	67,313,732
89	04	1,665	427,360,211	343,808,015	1,373	363,556,386	292,778,342
89	05	1,990	320,105,069	256,670,231	1,217	294,551,435	235,710,743
89	06	1,248	279,035,638	226,228,673	1,091	251,272,224	203,889,666
89	07	1,203	187,882,510	155,943,701	1,161	175,475,847	145,660,644
89	08	1,359	152,327,430	122,909,804	1,260	139,919,180	112,845,733
89	09	1,918	477,051,163	386,524,823	1,681	429,758,930	348,048,911
89	10	631	115,135,032	94,108,577	556	103,975,682	84,727,940
89	TOTAL	11,216	2,400,060,410	1,942,582,518	9,713	2,156,629,095	1,744,694,258
TOTAL		40,732	8,163,967,915	6,599,930,252	36,000	7,458,192,247	6,020,415,079

PAGE 1

GENERAL BUSINESS GUARANTEE LOANS

FISCAL YEAR	REGION	TOTAL MINORITY LOANS			TOTAL MINORITY LESS MINORITY WOMEN			PAGE	2
		NO. LOANS	TOTAL AMOUNT	SBA AMOUNT	NO. LOANS	TOTAL AMOUNT	SBA AMOUNT		
87	01	40	7,088,400	5,826,590	32	6,563,400	5,365,090		
87	02	88	19,481,900	15,497,845	74	17,143,900	13,641,410		
87	03	55	8,036,900	6,770,640	47	7,354,900	6,183,340		
87	04	200	46,834,483	37,486,538	171	43,194,083	34,402,728		
87	05	182	31,025,549	25,658,648	158	27,499,799	22,619,973		
87	06	272	40,283,175	32,309,962	237	37,066,900	29,553,189		
87	07	93	10,800,510	9,341,088	77	9,252,280	8,009,291		
87	08	51	9,429,950	7,812,472	43	8,522,950	7,075,640		
87	09	564	109,395,799	92,279,006	506	99,201,916	83,801,061		
87	10	46	5,917,551	5,102,498	42	5,621,551	4,836,098		
87	TOTAL	1,591	288,334,217	238,085,287	1,387	261,421,679	215,487,855		
88	01	49	9,556,500	7,918,051	46	9,036,500	7,450,951		
88	02	85	18,318,500	14,216,410	72	16,463,500	12,645,410		
88	03	48	10,836,940	8,245,490	33	8,733,440	6,470,040		
88	04	256	61,933,333	48,812,981	213	53,240,813	41,613,920		
88	05	152	27,310,996	21,936,709	133	25,369,951	20,226,937		
88	06	284	48,882,047	40,192,295	249	43,668,517	35,806,899		
88	07	93	8,254,534	6,782,237	78	7,759,984	6,349,442		
88	08	72	11,424,925	8,889,541	58	9,563,925	7,414,696		
88	09	601	129,887,455	109,403,690	530	116,945,246	98,465,202		
88	10	79	13,034,883	10,763,590	70	12,205,783	10,066,200		
88	TOTAL	1,719	339,440,113	277,160,990	1,483	302,987,659	246,509,698		
89	01	40	9,577,775	7,800,790	31	7,518,775	6,201,260		
89	02	76	12,831,650	10,696,919	63	10,228,350	8,566,879		
89	03	47	12,479,654	9,887,370	42	11,579,150	9,165,690		
89	04	224	50,463,867	41,402,932	193	44,561,782	36,538,190		
89	05	122	22,714,603	18,411,090	96	20,228,391	16,271,745		
89	06	183	32,778,519	26,953,020	154	26,856,069	22,366,803		
89	07	68	8,756,450	7,470,195	61	8,299,450	7,079,895		
89	08	54	9,797,900	7,651,590	39	7,620,300	5,915,370		
89	09	508	122,275,659	100,683,517	452	109,751,791	90,388,873		
89	10	50	7,329,258	6,160,314	44	6,685,058	5,606,994		
89	TOTAL	1,372	289,005,337	237,117,737	1,175	253,329,117	208,101,700		
TOTAL		4,682	916,779,667	752,364,016	4,045	817,738,455	670,099,254		

ADDITIONAL INFORMATION IN RESPONSE TO MR. BILBRAY'S REQUEST

RUN DATE: 08/16/89

SBA - LOAN ACCOUNTING ALLOTMENT SYSTEM (LAA)
SUMMARY LIST OF ALLOTMENTS, BALANCES (YTD)
MONTH ENDING: 08/15/89

SERV OFF: 0101 BOSTON MASS.

LOAN TYPE	MAJOR PROGRAM	CUMULATIVE (YTD) ALLOTMENT
DIRECT/IP	GENERAL BUS.	0
	ECONOMIC OP.	0
	HANDICAP	203,500
	ENERGY	0
	VETERANS	501,000
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	704,500
GUARANTY	GENERAL BUS.	33,973,627
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	12,691,000
	TOTAL	46,664,627
	GENERAL BUS.	33,973,627
	ECONOMIC OP.	0
	HANDICAP	203,500
	ENERGY	0
	VETERANS	501,000
	DEVELOP CO.	12,691,000
	TOTAL ALL	47,369,127

RUN DATE: 08/16/89

SBA - LOAN ACCOUNTING ALLOTMENT SYSTEM (LAA)
 SUMMARY LIST OF ALLOTMENTS, BALANCES (YTD)
 MONTH ENDING: 08/15/89

SERV OFF: 0130 WEST SPRINGFIELD, MA.

LOAN TYPE	MAJOR PROGRAM	CUMMULATIVE (YTD) ALLOTMENT
DIRECT/IP	GENERAL BUS.	0
	ECONOMIC OP.	0
	HANDICAP	150,000
	ENERGY	0
	VETERANS	20,000
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	170,000
GUARANTY	GENERAL BUS.	4,362,013
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	373,000
	TOTAL	4,735,013
	GENERAL BUS.	4,362,013
	ECONOMIC OP.	0
	HANDICAP	150,000
	ENERGY	0
	VETERANS	20,000
	DEVELOP CO.	373,000
	TOTAL ALL	4,905,013

RUN DATE: 08/16/89

SBA - LOAN ACCOUNTING ALLOTMENT SYSTEM (LAA)
 SUMMARY LIST OF ALLOTMENTS, BALANCES (YTD)
 MONTH ENDING: 08/15/89

SERV OFF: 0150 MONTPELIER, VT.

LOAN TYPE	MAJOR PROGRAM	CUMMULATIVE (YTD) ALLOTMENT
DIRECT/IP	GENERAL BUS.	0
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	100,000
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	100,000
GUARANTY	GENERAL BUS.	59,034,875
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	937,000
	TOTAL	59,971,875
	GENERAL BUS.	59,034,875
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	100,000
	DEVELOP CO.	937,000
	TOTAL ALL	60,071,875

RUN DATE: 08/16/89

SBA - LOAN ACCOUNTING ALLOTMENT SYSTEM (LAA)
 SUMMARY LIST OF ALLOTMENTS, BALANCES (YTD)
 MONTH ENDING: 08/15/89

SERV OFF: 0156 HARTFORD, CONN.

LOAN TYPE	MAJOR PROGRAM	CUMMULATIVE (YTD) ALLOTMENT
DIRECT/IP	GENERAL BUS.	0
	ECONOMIC OP.	0
	HANDICAP	200,000
	ENERGY	0
	VETERANS	65,000
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	265,000
GUARANTY	GENERAL BUS.	21,943,558
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	693,000
	TOTAL	22,636,558
	GENERAL BUS.	21,943,558
	ECONOMIC OP.	0
	HANDICAP	200,000
	ENERGY	0
	VETERANS	65,000
	DEVELOP CO.	693,000
	TOTAL ALL	22,901,558

RUN DATE: 08/16/89

SBA - LOAN ACCOUNTING ALLOTMENT SYSTEM (LAA)
 SUMMARY LIST OF ALLOTMENTS, BALANCES (YTD)
 MONTH ENDING: 08/15/89

SERV OFF: 0165 PROVIDENCE, R. I.

LOAN TYPE	MAJOR PROGRAM	CUMMULATIVE (YTD) ALLOTMENT
DIRECT/IP	GENERAL BUS.	0
	ECONOMIC OP.	0
	HANDICAP	100,000
	ENERGY	0
	VETERANS	190,000
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	290,000
GUARANTY	GENERAL BUS.	13,238,490
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	1,233,000
	TOTAL	14,471,490
	GENERAL BUS.	13,238,490
	ECONOMIC OP.	0
	HANDICAP	100,000
	ENERGY	0
	VETERANS	190,000
	DEVELOP CO.	1,233,000
	TOTAL ALL	14,761,490

RUN DATE: 08/16/89

SBA - LOAN ACCOUNTING ALLOTMENT SYSTEM (LAA)
 SUMMARY LIST OF ALLOTMENTS, BALANCES (YTD)
 MONTH ENDING: 08/15/89

SERV OFF: 0172 AUGUSTA, MAINE

LOAN TYPE	MAJOR PROGRAM	CUMMULATIVE (YTD) ----- ALLOTMENT -----
DIRECT/IP	GENERAL BUS.	0
	ECONOMIC OP.	100,000
	HANDICAP	50,800
	ENERGY	0
	VETERANS	25,000
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	175,800
GUARANTY	GENERAL BUS.	20,846,446
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	966,000
	TOTAL	21,812,446
	GENERAL BUS.	20,846,446
	ECONOMIC OP.	100,000
	HANDICAP	50,800
	ENERGY	0
	VETERANS	25,000
	DEVELOP CO.	966,000
	TOTAL ALL	21,988,246

RUN DATE: 08/16/89

SBA - LOAN ACCOUNTING ALLOTMENT SYSTEM (LAA)
SUMMARY LIST OF ALLOTMENTS, BALANCES (YTD)
MONTH ENDING: 08/15/89

SERV OFF: 0189 CONCORD, N. H.

LOAN TYPE	MAJOR PROGRAM	CUMMULATIVE (YTD) ALLOTMENT
DIRECT/IP	GENERAL BUS.	0
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	175,000
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	175,000
GUARANTY	GENERAL BUS.	22,864,925
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	11,586,000
	TOTAL	34,450,925
	GENERAL BUS.	22,864,925
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	175,000
	DEVELOP CO.	11,586,000
	TOTAL ALL	34,625,925

RUN DATE: 08/16/89

SBA - LOAN ACCOUNTING ALLOTMENT SYSTEM (LAA)
SUMMARY LIST OF ALLOTMENTS, BALANCES (YTD)
MONTH ENDING: 08/15/89

REGION: 0100

LOAN TYPE	MAJOR PROGRAM	CUMMULATIVE (YTD) ALLOTMENT
DIRECT/IP	GENERAL BUS.	0
	ECONOMIC OP.	100,000
	HANDICAP	704,300
	ENERGY	0
	VETERANS	1,076,000
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	1,880,300
GUARANTY	GENERAL BUS.	176,263,934
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	28,479,000
	TOTAL	204,742,934
	GENERAL BUS.	176,263,934
	ECONOMIC OP.	100,000
	HANDICAP	704,300
	ENERGY	0
	VETERANS	1,076,000
	DEVELOP CO.	28,479,000
	TOTAL ALL	206,623,234

AMOUNT IN RESERVE AND NOT ALLOCATED

MAJOR PROGRAM	DIRECT/IP	GUARANTY	TOTAL
GENERAL BUS.	0	4,294,650	4,294,650
ECONOMIC OP.	0	0	0
HANDICAP	0	0	0
ENERGY	0	0	0
VETERANS	0	0	0
DEVELOP CO.	0	1,021,000	1,021,000
TOTAL	0	5,315,650	5,315,650

RUN DATE: 08/16/89

SEA - LOAN ACCOUNTING ALLOTMENT SYSTEM (LAA)
SUMMARY LIST OF ALLOTMENTS, BALANCES (YTD)
MONTH ENDING: 08/15/89

SERV OFF: 0202 NEW YORK, N. Y.

LOAN TYPE	MAJOR PROGRAM	CUMMULATIVE (YTD) ALLOTMENT
DIRECT/IP	GENERAL BUS.	0
	ECONOMIC OP.	105,000
	HANDICAP	150,000
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	255,000
GUARANTY	GENERAL BUS.	34,510,467
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	8,840,000
	TOTAL	43,350,467
	GENERAL BUS.	34,510,467
	ECONOMIC OP.	105,000
	HANDICAP	150,000
	ENERGY	0
	VETERANS	0
	DEVELOP CO.	8,840,000
	TOTAL ALL	43,605,467

RUN DATE: 08/16/89

SBA - LOAN ACCOUNTING ALLOTMENT SYSTEM (LAA)
SUMMARY LIST OF ALLOTMENTS, BALANCES (YTD)
MONTH ENDING: 08/15/89

SERV OFF: 0206 ELMIRA, N.Y.

LOAN TYPE	MAJOR PROGRAM	CUMMULATIVE (YTD) ALLOTMENT
DIRECT/IP	GENERAL BUS.	0
	ECONOMIC OP.	0
	HANDICAP	150,000
	ENERGY	0
	VETERANS	254,500
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	404,500
GUARANTY	GENERAL BUS.	15,660,031
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	15,660,031
	GENERAL BUS.	15,660,031
	ECONOMIC OP.	0
	HANDICAP	150,000
	ENERGY	0
	VETERANS	254,500
	DEVELOP CO.	0
	TOTAL ALL	16,064,531

RUN DATE: 08/16/89

SBA - LOAN ACCOUNTING ALLOTMENT SYSTEM (LAA)
 SUMMARY LIST OF ALLOTMENTS, BALANCES (YTD)
 MONTH ENDING: 08/15/89

SERV OFF: 0228 NEW YORK DISASTER CENTER

LOAN TYPE	MAJOR PROGRAM	CUMMULATIVE (YTD) ALLOTMENT
DIRECT/IP	GENERAL BUS.	0
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	0
GUARANTY	GENERAL BUS.	0
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	0
	GENERAL BUS.	0
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	DEVELOP CO.	0
	TOTAL ALL.	0

RUN DATE: 08/16/89

SBA - LOAN ACCOUNTING ALLOTMENT SYSTEM (LAA)
SUMMARY LIST OF ALLOTMENTS, BALANCES (YTD)
MONTH ENDING: 08/15/89

SERV OFF: 0235 MELVILLE, N.Y.

LOAN TYPE	MAJOR PROGRAM	CUMMULATIVE (YTD) ALLOTMENT
DIRECT/IP	GENERAL BUS.	0
	ECONOMIC OP.	0
	HANDICAP	50,000
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	50,000
GUARANTY	GENERAL BUS.	19,848,425
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	19,848,425
	GENERAL BUS.	19,848,425
	ECONOMIC OP.	0
	HANDICAP	50,000
	ENERGY	0
	VETERANS	0
	DEVELOP CO.	0
	TOTAL ALL	19,898,425

RUN DATE: 08/16/89

SBA - LOAN ACCOUNTING ALLOTMENT SYSTEM (LAA)
 SUMMARY LIST OF ALLOTMENTS, BALANCES (YTD)
 MONTH ENDING: 08/15/89

SERV OFF: 0248 SYRACUSE, N Y.

LOAN TYPE	MAJOR PROGRAM	CUMMULATIVE (YTD) ALLOTMENT
DIRECT/IP	GENERAL BUS.	0
	ECONOMIC OP.	0
	HANDICAP	18,000
	ENERGY	0
	VETERANS	588,000
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	606,000
GUARANTY	GENERAL BUS.	48,531,866
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	4,735,000
	TOTAL	53,266,866
	GENERAL BUS.	48,531,866
	ECONOMIC OP.	0
	HANDICAP	18,000
	ENERGY	0
	VETERANS	588,000
	DEVELOP CO.	4,735,000
	TOTAL ALL	53,872,866

RUN DATE: 08/16/89

SBA - LOAN ACCOUNTING ALLOTMENT SYSTEM (LAA)
 SUMMARY LIST OF ALLOTMENTS, BALANCES (YTD)
 MONTH ENDING: 08/15/89

SERV OFF: 0252 HATO REY, P. R.

LOAN TYPE	MAJOR PROGRAM	CUMMULATIVE (YTD) ALLOTMENT
DIRECT/IP	GENERAL BUS.	0
	ECONOMIC OP.	6,223,500
	HANDICAP	45,000
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	6,268,500
GUARANTY	GENERAL BUS.	2,902,544
	ECONOMIC OP.	15,125,793
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	2,084,000
	TOTAL	20,112,337
	GENERAL BUS.	2,902,544
	ECONOMIC OP.	21,349,293
	HANDICAP	45,000
	ENERGY	0
	VETERANS	0
	DEVELOP CO.	2,084,000
	TOTAL ALL	26,380,837

RUN DATE: 08/16/89

SBA - LOAN ACCOUNTING ALLOTMENT SYSTEM (LAA)
 SUMMARY LIST OF ALLOTMENTS, BALANCES (YTD)
 MONTH ENDING: 08/15/89

SERV OFF: 0296 BUFFALO, N. Y.

LOAN TYPE	MAJOR PROGRAM	CUMMULATIVE (YTD) ALLOTMENT
DIRECT/IP	GENERAL BUS.	0
	ECONOMIC OP.	110,000
	HANDICAP	0
	ENERGY	0
	VETERANS	100,000
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	210,000
GUARANTY	GENERAL BUS.	29,235,497
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	1,040,000
	TOTAL	30,275,497
	GENERAL BUS.	29,235,497
	ECONOMIC OP.	110,000
	HANDICAP	0
	ENERGY	0
	VETERANS	100,000
	DEVELOP CO.	1,040,000
	TOTAL ALL	30,485,497

RUN DATE: 08/16/89

SBA - LOAN ACCOUNTING ALLOTMENT SYSTEM (LAA)
SUMMARY LIST OF ALLOTMENTS, BALANCES (YTD)
MONTH ENDING: 08/15/89

SERV OFF: 0299 NEWARK, N. J.

LOAN TYPE	MAJOR PROGRAM	CUMMULATIVE (YTD) ----- ALLOTMENT -----
DIRECT/IP	GENERAL BUS.	0
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	55,000
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	
	TOTAL	55,000
GUARANTY	GENERAL BUS.	35,783,866
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	1,161,000
	TOTAL	35,944,866
	GENERAL BUS.	35,783,866
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	55,000
	DEVELOP CO.	1,161,000
	TOTAL ALL	36,999,866

RUN DATE: 08/16/89

SBA - LOAN ACCOUNTING ALLOTMENT SYSTEM (LAA)
SUMMARY LIST OF ALLOTMENTS, BALANCES (YTD)
MONTH ENDING: 08/15/89

REGION: 0200

LOAN TYPE	MAJOR PROGRAM	CUMMULATIVE (YTD) ALLOTMENT
DIRECT/IP	GENERAL BUS.	0
	ECONOMIC OP.	6,438,500
	HANDICAP	413,000
	ENERGY	0
	VETERANS	997,500
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	7,849,000
GUARANTY	GENERAL BUS.	186,472,696
	ECONOMIC OP.	15,125,793
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	17,860,000
	TOTAL	219,458,489
	GENERAL BUS.	186,472,696
	ECONOMIC OP.	21,564,293
	HANDICAP	413,000
	ENERGY	0
	VETERANS	997,500
	DEVELOP CO.	17,860,000
	TOTAL ALL	227,307,489

AMOUNT IN RESERVE AND NOT ALLOCATED

MAJOR PROGRAM	DIRECT/IP	GUARANTY	TOTAL
GENERAL BUS.	0	0	0
ECONOMIC OP.	1,907	0	1,907
HANDICAP	0	0	0
ENERGY	0	0	0
VETERANS	0	0	0
DEVELOP CO.	0	3,040,000	3,040,000
TOTAL	1,907	3,040,000	3,041,907

RUN DATE: 08/16/89

SBA - LOAN ACCOUNTING ALLOTMENT SYSTEM (LAA)
 SUMMARY LIST OF ALLOTMENTS, BALANCES (YTD)
 MONTH ENDING: 08/15/89

SERV OFF: 0303 PHILADELPHIA, PA

LOAN TYPE	MAJOR PROGRAM	CUMMULATIVE (YTD) ALLOTMENT
DIRECT/IP	GENERAL BUS.	0
	ECONOMIC OP.	0
	HANDICAP	150,000
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	150,000
GUARANTY	GENERAL BUS.	29,986,066
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	721,000
	TOTAL	30,707,066
	GENERAL BUS.	29,986,066
	ECONOMIC OP.	0
	HANDICAP	150,000
	ENERGY	0
	VETERANS	0
	DEVELOP CO.	721,000
	TOTAL ALL	30,857,066

RUN DATE: 08/16/89

SBA - LOAN ACCOUNTING ALLOTMENT SYSTEM (LAA)
 SUMMARY LIST OF ALLOTMENTS, BALANCES (YTD)
 MONTH ENDING: 08/15/89

SERV OFF: 0304 RICHMOND, VA.

LOAN TYPE	MAJOR PROGRAM	CUMMULATIVE (YTD) ----- ALLOTMENT -----
DIRECT/IP	GENERAL BUS.	0
	ECONOMIC OP.	88,000
	HANDICAP	517,500
	ENERGY	0
	VETERANS	410,000
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	1,015,500
GUARANTY	GENERAL BUS.	14,122,795
	ECONOMIC OP.	148,750
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	1,592,000
	TOTAL	15,863,545
	GENERAL BUS.	14,122,795
	ECONOMIC OP.	236,750
	HANDICAP	517,500
	ENERGY	0
	VETERANS	410,000
	DEVELOP CO.	1,592,000
	TOTAL ALL	16,879,045

RUN DATE: 08/16/89

SBA - LOAN ACCOUNTING ALLOTMENT SYSTEM (LAA)
SUMMARY LIST OF ALLOTMENTS, BALANCES (YTD)
MONTH ENDING: 08/15/89

SERV OFF: 0316 HARRISBURG, PA.

LOAN TYPE	MAJOR PROGRAM	CUMMULATIVE (YTD) ALLOTMENT
DIRECT/IP	GENERAL BUS.	0
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	0
GUARANTY	GENERAL BUS.	2,801,503
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	825,000
	TOTAL	3,626,503
	GENERAL BUS.	2,801,503
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	DEVELOP CO.	825,000
	TOTAL ALL	3,626,503

RUN DATE 08/16/89

SBA - LOAN ACCOUNTING ALLOTMENT SYSTEM (LAA)
SUMMARY LIST OF ALLOTMENTS, BALANCES (YTD)
MONTH ENDING: 08/15/89

SERV OFF: 0318 WILKES-BARRE, PA.

LOAN TYPE	MAJOR PROGRAM	CUMMULATIVE (YTD) ALLOTMENT
DIRECT/IP	GENERAL BUS.	0
	ECONOMIC OP.	0
	HANDICAP	100,000
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	100,000
GUARANTY	GENERAL BUS.	3,659,920
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	3,659,920
	GENERAL BUS.	3,659,920
	ECONOMIC OP.	0
	HANDICAP	100,000
	ENERGY	0
	VETERANS	0
	DEVELOP CO.	0
	TOTAL ALL	3,759,920

RUN DATE: 08/16/89

SBA - LOAN ACCOUNTING ALLOTMENT SYSTEM (LAA)
SUMMARY LIST OF ALLOTMENTS, BALANCES (YTD)
MONTH ENDING: 08/15/89

SERV OFF: 0325 CHARLESTON, W. VA.

LOAN TYPE	MAJOR PROGRAM	CUMMULATIVE (YTD) ALLOTMENT
DIRECT/IP	GENERAL BUS.	0
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	0
GUARANTY	GENERAL BUS.	0
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	0
	GENERAL BUS.	0
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	DEVELOP CO.	0
	TOTAL ALL	0

RUN DATE: 08/16/89

SBA - LOAN ACCOUNTING ALLOTMENT SYSTEM (LAA)
 SUMMARY LIST OF ALLOTMENTS, BALANCES (YTD)
 MONTH ENDING: 08/15/89

SERV OFF: 0326 NORFOLK, VA.

LOAN TYPE	MAJOR PROGRAM	CUMMULATIVE (YTD) ALLOTMENT
DIRECT/IP	GENERAL BUS.	0
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	0
GUARANTY	GENERAL BUS.	0
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	0
	GENERAL BUS.	0
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	DEVELOP CO.	0
	TOTAL ALL	0

RUN DATE: 08/16/89

SBA - LOAN ACCOUNTING ALLOTMENT SYSTEM (LAA)
 SUMMARY LIST OF ALLOTMENTS, BALANCES (YTD)
 MONTH ENDING: 08/15/89

SERV OFF: 0341 WILMINGTON, DEL

LOAN TYPE	MAJOR PROGRAM	CUMMULATIVE (YTD) ----- ALLOTMENT -----
DIRECT/IP	GENERAL BUS.	0
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	0
GUARANTY	GENERAL BUS.	0
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	0
	GENERAL BUS.	0
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	DEVELOP CO.	0
	TOTAL ALL	0

RUN DATE: 08/16/89

SBA - LOAN ACCOUNTING ALLOTMENT SYSTEM (LAA)
SUMMARY LIST OF ALLOTMENTS, BALANCES (YTD)
MONTH ENDING: 08/15/89

SERV OFF: 0353 WASHINGTON, D. C.

LOAN TYPE	MAJOR PROGRAM	CUMMULATIVE (YTD) ALLOTMENT
DIRECT/IP	GENERAL BUS.	0
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	563,000
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	563,000
GUARANTY	GENERAL BUS.	6,765,815
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	2,124,000
	TOTAL	8,889,815
	GENERAL BUS.	6,765,815
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	563,000
	DEVELOP CO.	2,124,000
	TOTAL ALL	9,452,815

RUN DATE: 08/16/89

SBA - LOAN ACCOUNTING ALLOTMENT SYSTEM (LAA)
SUMMARY LIST OF ALLOTMENTS, BALANCES (YTD)
MONTH ENDING: 08/15/89

SERV OFF: 0358 PITTSBURGH, PA

LOAN TYPE	MAJOR PROGRAM	CUMMULATIVE (YTD) ALLOTMENT
DIRECT/IP	GENERAL BUS.	0
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	0
GUARANTY	GENERAL BUS.	23,822,653
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	1,532,000
	TOTAL	25,354,653
	GENERAL BUS.	23,822,653
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	DEVELOP CO.	1,532,000
	TOTAL ALL	25,354,653

RUN DATE: 08/16/89

SBA - LOAN ACCOUNTING ALLOTMENT SYSTEM (LAA)
 SUMMARY LIST OF ALLOTMENTS, BALANCES (YTD)
 MONTH ENDING: 08/15/89

SERV OFF: 0373 BALTIMORE, MD.

LOAN TYPE	MAJOR PROGRAM	CUMMULATIVE (YTD)
		ALLOTMENT
DIRECT/IP	GENERAL BUS.	0
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	752,900
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	752,900
GUARANTY	GENERAL BUS.	9,284,555
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	1,964,400
	TOTAL	11,248,955
	GENERAL BUS.	9,284,555
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	752,900
	DEVELOP CO.	1,964,400
	TOTAL ALL	12,001,855

RUN DATE: 08/16/89

SBA - LOAN ACCOUNTING ALLOTMENT SYSTEM (LAA)
SUMMARY LIST OF ALLOTMENTS, BALANCES (YTD)
MONTH ENDING: 08/15/89

SERV OFF: 0390 CLARKSBURG, W. VA.

LOAN TYPE	MAJOR PROGRAM	CUMMULATIVE (YTD) ALLOTMENT
DIRECT/IP	GENERAL BUS.	0
	ECONOMIC OP.	62,000
	HANDICAP	150,000
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	212,000
GUARANTY	GENERAL BUS.	9,702,123
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	1,002,000
	TOTAL	10,704,123
	GENERAL BUS.	9,702,123
	ECONOMIC OP.	62,000
	HANDICAP	150,000
	ENERGY	0
	VETERANS	0
	DEVELOP CO.	1,002,000
	TOTAL ALL	10,916,123

RUN DATE: 08/16/89

SBA - LOAN ACCOUNTING ALLOTMENT SYSTEM (LAA)
SUMMARY LIST OF ALLOTMENTS, BALANCES (YTD)
MONTH ENDING: 08/15/89

REGION: 0300

LOAN TYPE	MAJOR PROGRAM	CUMMULATIVE (YTD) ALLOTMENT
DIRECT/IP	GENERAL BUS.	0
	ECONOMIC OP.	150,000
	HANDICAP	917,500
	ENERGY	0
	VETERANS	1,725,900
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	2,793,400
GUARANTY	GENERAL BUS.	100,145,430
	ECONOMIC OP.	148,750
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	9,760,400
	TOTAL	110,054,580
	GENERAL BUS.	100,145,430
	ECONOMIC OP.	298,750
	HANDICAP	917,500
	ENERGY	0
	VETERANS	1,725,900
	DEVELOP CO.	9,760,400
	TOTAL ALL	112,847,980

AMOUNT IN RESERVE AND NOT ALLOCATED

MAJOR PROGRAM	DIRECT/IP	GUARANTY	TOTAL
GENERAL BUS.	0	5,582,050	5,582,050
ECONOMIC OP.	0	0	0
HANDICAP	0	0	0
ENERGY	0	0	0
VETERANS	0	0	0
DEVELOP CO.	0	239,600	239,600
TOTAL	0	5,821,650	5,821,650

RUN DATE: 08/15/89

SBA - LOAN ACCOUNTING ALLOTMENT SYSTEM (LAA)
 SUMMARY LIST OF ALLOTMENTS, BALANCES (YTD)
 MONTH ENDING: 08/15/89

SERV OFF: 0405 ATLANTA, GA.

LOAN TYPE	MAJOR PROGRAM	CUMMULATIVE (YTD) ALLOTMENT
DIRECT/IP	GENERAL BUS.	0
	ECONOMIC OP.	263,000
	HANDICAP	50,000
	ENERGY	0
	VETERANS	2,894,563
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	3,207,563
GUARANTY	GENERAL BUS.	141,298,882
	ECONOMIC OP.	285,838
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	13,589,870
	TOTAL	155,174,590
	GENERAL BUS.	141,298,882
	ECONOMIC OP.	548,838
	HANDICAP	50,000
	ENERGY	0
	VETERANS	2,894,563
	DEVELOP CO.	13,589,870
	TOTAL ALL	158,382,153

RUN DATE: 08/16/89

SBA - LOAN ACCOUNTING ALLOTMENT SYSTEM (LAA)
 SUMMARY LIST OF ALLOTMENTS, BALANCES (YTD)
 MONTH ENDING: 08/15/89

SERV OFF: 0424 MEMPHIS, TENN.

LOAN TYPE	MAJOR PROGRAM	CUMMULATIVE (YTD) ----- ALLOTMENT -----
DIRECT/IP	GENERAL BUS.	0
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	0
GUARANTY	GENERAL BUS.	0
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	0
	GENERAL BUS.	0
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	DEVELOP CO.	0
	TOTAL ALL	0

RUN DATE: 08/16/89

SBA - LOAN ACCOUNTING ALLOTMENT SYSTEM (LAA)
 SUMMARY LIST OF ALLOTMENTS, BALANCES (YTD)
 MONTH ENDING: 08/15/89

SERV OFF: 0429 BIRMINGHAM DISASTER CENTER

LOAN TYPE	MAJOR PROGRAM	CUMMULATIVE (YTD) ----- ALLOTMENT -----
DIRECT/IP	GENERAL BUS.	0
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	0
GUARANTY	GENERAL BUS.	0
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	0
	GENERAL BUS.	0
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	DEVELOP CO.	0
	TOTAL ALL	0

RUN DATE: 08/16/89

SBA - LOAN ACCOUNTING ALLOTMENT SYSTEM (LAA)
 SUMMARY LIST OF ALLOTMENTS, BALANCES (YTD)
 MONTH ENDING: 08/15/89

SERV OFF: 0438 GULFPORT, MISS

LOAN TYPE	MAJOR PROGRAM	CUMMULATIVE (YTD) ALLOTMENT
DIRECT/IP	GENERAL BUS.	0
	ECONOMIC OP.	65,000
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	65,000
GUARANTY	GENERAL BUS.	3,428,345
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	3,428,345
	GENERAL BUS.	3,428,345
	ECONOMIC OP.	65,000
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	DEVELOP CO.	0
	TOTAL ALL	3,493,345

RUN DATE: 08/16/89

SBA - LOAN ACCOUNTING ALLOTMENT SYSTEM (LAA)
 SUMMARY LIST OF ALLOTMENTS, BALANCES (YTD)
 MONTH ENDING: 08/15/89

SERV OFF: 0446 KNOXVILLE, TENN.

LOAN TYPE	MAJOR PROGRAM	CUMMULATIVE (YTD) ALLOTMENT
DIRECT/IP	GENERAL BUS.	0
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	0
GUARANTY	GENERAL BUS.	0
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	0
	GENERAL BUS.	0
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	DEVELOP CO.	0
	TOTAL ALL	0

RUN DATE: 08/16/89

SBA - LOAN ACCOUNTING ALLOTMENT SYSTEM (LAA)
 SUMMARY LIST OF ALLOTMENTS, BALANCES (YTD)
 MONTH ENDING: 08/15/89

SERV OFF: 0455 MIAMI, FLA.

LOAN TYPE	MAJOR PROGRAM	CUMMULATIVE (YTD) ----- ALLOTMENT -----
DIRECT/IP	GENERAL BUS.	0
	ECONOMIC OP.	55,000
	HANDICAP	236,300
	ENERGY	0
	VETERANS	603,156
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	894,456
GUARANTY	GENERAL BUS.	22,725,859
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	432,000
	TOTAL	23,157,859
	GENERAL BUS.	22,725,859
	ECONOMIC OP.	55,000
	HANDICAP	236,300
	ENERGY	0
	VETERANS	603,156
	DEVELOP CO.	432,000
	TOTAL ALL	24,052,315

RUN DATE: 08/16/89

SBA - LOAN ACCOUNTING ALLOTMENT SYSTEM (LAA)
 SUMMARY LIST OF ALLOTMENTS, BALANCES (YTD)
 MONTH ENDING: 08/15/89

SERV OFF: 0457 LOUISVILLE, KY.

LOAN TYPE	MAJOR PROGRAM	CUMMULATIVE (YTD) ----- ALLOTMENT -----
DIRECT/IP	GENERAL BUS.	0
	ECONOMIC OP.	929,643
	HANDICAP	237,000
	ENERGY	0
	VETERANS	1,044,903
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	2,211,546
GUARANTY	GENERAL BUS.	53,251,174
	ECONOMIC OP.	0
	HANDICAP	64,534
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	1,707,000
	TOTAL	55,022,708
	GENERAL BUS.	53,251,174
	ECONOMIC OP.	929,643
	HANDICAP	301,534
	ENERGY	0
	VETERANS	1,044,903
	DEVELOP CO.	1,707,000
	TOTAL ALL	57,234,254

RUN DATE: 08/16/89

SBA - LOAN ACCOUNTING ALLOTMENT SYSTEM (LAA)
 SUMMARY LIST OF ALLOTMENTS, BALANCES (YTD)
 MONTH ENDING: 08/15/89

SERV OFF: 0459 BIRMINGHAM, ALA.

LOAN TYPE	MAJOR PROGRAM	CUMMULATIVE (YTD) ----- ALLOTMENT -----
DIRECT/IP	GENERAL BUS.	0
	ECONOMIC OP.	2,518,100
	HANDICAP	479,000
	ENERGY	0
	VETERANS	300,800
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	3,297,900
GUARANTY	GENERAL BUS.	57,879,678
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	11,282,000
	TOTAL	69,161,678
	GENERAL BUS.	57,879,678
	ECONOMIC OP.	2,518,100
	HANDICAP	479,000
	ENERGY	0
	VETERANS	300,800
	DEVELOP CO.	11,282,000
	TOTAL ALL	72,459,578

RUN DATE: 08/16/89

SBA - LOAN ACCOUNTING ALLOTMENT SYSTEM (LAA)
 SUMMARY LIST OF ALLOTMENTS, BALANCES (YTD)
 MONTH ENDING: 08/15/89

SERV OFF: 0460 CHARLOTTE, N. C.

LOAN TYPE	MAJOR PROGRAM	CUMMULATIVE (YTD) ALLOTMENT
DIRECT/IP	GENERAL BUS.	0
	ECONOMIC OP.	150,000
	HANDICAP	446,943
	ENERGY	0
	VETERANS	333,800
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	930,743
GUARANTY	GENERAL BUS.	31,771,202
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	7,931,000
	TOTAL	39,702,202
	GENERAL BUS.	31,771,202
	ECONOMIC OP.	150,000
	HANDICAP	446,943
	ENERGY	0
	VETERANS	333,800
	DEVELOP CO.	7,931,000
	TOTAL ALL	40,632,945

RUN DATE: 08/16/89

SBA - LOAN ACCOUNTING ALLOTMENT SYSTEM (LAA)
 SUMMARY LIST OF ALLOTMENTS, BALANCES (YTD)
 MONTH ENDING: 08/15/89

SERV OFF: 0464 COLUMBIA, S. C.

LOAN TYPE	MAJOR PROGRAM	CUMMULATIVE (YTD) ----- ALLOTMENT -----
DIRECT/TP	GENERAL BUS.	0
	ECONOMIC OP.	240,600
	HANDICAP	260,000
	ENERGY	0
	VETERANS	348,000
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	848,600
GUARANTY	GENERAL BUS.	25,986,593
	ECONOMIC OP.	267,700
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	26,254,293
	GENERAL BUS.	25,986,593
	ECONOMIC OP.	508,300
	HANDICAP	260,000
	ENERGY	0
	VETERANS	348,000
	DEVELOP CO.	0
	TOTAL ALL	27,102,893

RUN DATE: 08/16/89

SBA - LOAN ACCOUNTING ALLOTMENT SYSTEM (LAA)
 SUMMARY LIST OF ALLOTMENTS, BALANCES (YTD)
 MONTH ENDING 08/15/89

SERV OFF: 0470 JACKSON, MISS

LOAN TYPE	MAJOR PROGRAM	CUMMULATIVE (YTD) ALLOTMENT
DIRECT/IP	GENERAL BUS.	0
	ECONOMIC OP.	405,000
	HANDICAP	80,000
	ENERGY	0
	VETERANS	118,000
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	603,000
GUARANTY	GENERAL BUS.	11,003,109
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	1,543,000
	TOTAL	12,546,109
	GENERAL BUS.	11,003,109
	ECONOMIC OP.	405,000
	HANDICAP	80,000
	ENERGY	0
	VETERANS	118,000
	DEVELOP CO.	1,543,000
	TOTAL ALL	13,149,109

RUN DATE: 08/16/89

SBA - LOAN ACCOUNTING ALLOTMENT SYSTEM (LAA)
SUMMARY LIST OF ALLOTMENTS, BALANCES (YTD)
MONTH ENDING: 08/15/89

SERV OFF: 0474 NASHVILLE, TENN.

LOAN TYPE	MAJOR PROGRAM	CUMMULATIVE (YTD) ALLOTMENT
DIRECT/IP	GENERAL BUS.	0
	ECONOMIC OP.	15,000
	HANDICAP	616,089
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	631,089
GUARANTY	GENERAL BUS.	63,351,274
	ECONOMIC OP.	620,080
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	2,541,000
	TOTAL	66,512,354
	GENERAL BUS.	63,351,274
	ECONOMIC OP.	635,080
	HANDICAP	616,089
	ENERGY	0
	VETERANS	0
	DEVELOP CO.	2,541,000
	TOTAL ALL	67,143,443

RUN DATE: 08/16/89

SBA - LOAN ACCOUNTING ALLOTMENT SYSTEM (LAA)
 SUMMARY LIST OF ALLOTMENTS, BALANCES (YTD)
 MONTH ENDING: 08/15/89

SERV OFF: 0491 JACKSONVILLE, FLA

LOAN TYPE	MAJOR PROGRAM	CUMMULATIVE (YTD) ALLOTMENT
DIRECT/IP	GENERAL BUS.	0
	ECONOMIC OP.	0
	HANDICAP	10,000
	ENERGY	0
	VETERANS	13,000
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	23,000
GUARANTY	GENERAL BUS.	39,943,355
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	306,000
	TOTAL	40,249,355
	GENERAL BUS.	39,943,355
	ECONOMIC OP.	0
	HANDICAP	10,000
	ENERGY	0
	VETERANS	13,000
	DEVELOP CO.	306,000
	TOTAL ALL	40,272,355

RUN DATE: 08/16/89

SBA - LOAN ACCOUNTING ALLOTMENT SYSTEM (LAA)
SUMMARY LIST OF ALLOTMENTS, BALANCES (YTD)
MONTH ENDING: 08/15/89

SERV OFF: 0992 FRESNO, CA COLLECTION OFFICE

LOAN TYPE	MAJOR PROGRAM	CUMMULATIVE (YTD) ALLOTMENT
DIRECT/IP	GENERAL BUS.	0
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	0
GUARANTY	GENERAL BUS.	0
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	0
	GENERAL BUS.	0
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	DEVELOP CO.	0
	TOTAL ALL	0

RUN DATE: 08/16/89

SBA - LOAN ACCOUNTING ALLOTMENT SYSTEM (LAA)
 SUMMARY LIST OF ALLOTMENTS, BALANCES (YTD)
 MONTH ENDING: 08/15/89

SERV OFF: 0995 AGANA, GUAM

LOAN TYPE	MAJOR PROGRAM	CUMMULATIVE (YTD) ALLOTMENT
DIRECT/IP	GENERAL BUS.	0
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	0
GUARANTY	GENERAL BUS.	0
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	0
	GENERAL BUS.	0
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	DEVELOP CO.	0
	TOTAL ALL	0

RUN DATE: 08/16/89

SBA - LOAN ACCOUNTING ALLOTMENT SYSTEM (LAA)
SUMMARY LIST OF ALLOTMENTS, BALANCES (YTD)
MONTH ENDING: 08/15/89

REGION: 0900

LOAN TYPE	MAJOR PROGRAM	CUMMULATIVE (YTD) ALLOTMENT
DIRECT/IP	GENERAL BUS.	0
	ECONOMIC OP.	945,250
	HANDICAP	1,778,000
	ENERGY	0
	VETERANS	2,210,200
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	4,933,450
GUARANTY	GENERAL BUS.	497,420,285
	ECONOMIC OP.	1,746,414
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	96,220,956
	TOTAL	595,387,655
	GENERAL BUS.	497,420,285
	ECONOMIC OP.	2,691,664
	HANDICAP	1,778,000
	ENERGY	0
	VETERANS	2,210,200
	DEVELOP CO.	96,220,956
	TOTAL ALL	600,321,105

AMOUNT IN RESERVE AND NOT ALLOCATED

MAJOR PROGRAM	DIRECT/IP	GUARANTY	TOTAL
GENERAL BUS.	0	20,309,020	20,309,020
ECONOMIC OP.	0	59,020	59,020
HANDICAP	0	0	0
ENERGY	0	0	0
VETERANS	0	0	0
DEVELOP CO.	0	4,379,044	4,379,044
TOTAL	0	24,747,084	24,747,084

RUN DATE: 08/16/89

SBA - LOAN ACCOUNTING ALLOTMENT SYSTEM (LAA)
 SUMMARY LIST OF ALLOTMENTS, BALANCES (YTD)
 MONTH ENDING: 08/15/89

SERV OFF: 1013 SEATTLE, WASH.

LOAN TYPE	MAJOR PROGRAM	CUMMULATIVE (YTD) ALLOTMENT
DIRECT/IP	GENERAL BUS.	0
	ECONOMIC OP.	105,000
	HANDICAP	0
	ENERGY	0
	VETERANS	264,500
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	369,500
GUARANTY	GENERAL BUS.	42,166,466
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	7,928,500
	TOTAL	50,094,966
	GENERAL BUS.	42,166,466
	ECONOMIC OP.	105,000
	HANDICAP	0
	ENERGY	0
	VETERANS	264,500
	DEVELOP CO.	7,928,500
	TOTAL ALL	50,464,466

RUN DATE: 08/16/89

SBA - LOAN ACCOUNTING ALLOTMENT SYSTEM (LAA)
 SUMMARY LIST OF ALLOTMENTS, BALANCES (YTD)
 MONTH ENDING: 08/15/89

SERV OFF: 1040 FAIRBANKS, ALASKA

LOAN TYPE	MAJOR PROGRAM	CUMMULATIVE (YTD) ALLOTMENT
DIRECT/IP	GENERAL BUS.	0
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	0
GUARANTY	GENERAL BUS.	0
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	0
	GENERAL BUS.	0
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	DEVELOP CO.	0
	TOTAL ALL	0

RUN DATE: 08/16/89

SBA - LOAN ACCOUNTING ALLOTMENT SYSTEM (LAA)
 SUMMARY LIST OF ALLOTMENTS, BALANCES (YTD)
 MONTH ENDING: 08/15/89

SERV OFF: 1084 ANCHORAGE, ALASKA

LOAN TYPE	MAJOR PROGRAM	CUMMULATIVE (YTD) ALLOTMENT
DIRECT/IP	GENERAL BUS.	0
	ECONOMIC OP.	411,000
	HANDICAP	0
	ENERGY	0
	VETERANS	875,800
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	1,286,800
GUARANTY	GENERAL BUS.	18,295,796
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	130,000
	TOTAL	18,425,796
	GENERAL BUS.	18,295,796
	ECONOMIC OP.	411,000
	HANDICAP	0
	ENERGY	0
	VETERANS	875,800
	DEVELOP CO.	130,000
	TOTAL ALL	19,712,596

RUN DATE: 08/16/89

SBA - LOAN ACCOUNTING ALLOTMENT SYSTEM (LAA)
 SUMMARY LIST OF ALLOTMENTS, BALANCES (YTD)
 MONTH ENDING: 08/15/89

SERV OFF: 1086 PORTLAND, ORE

LOAN TYPE	MAJOR PROGRAM	CUMMULATIVE (YTD) ALLOTMENT
DIRECT/IP	GENERAL BUS.	0
	ECONOMIC OP.	60,000
	HANDICAP	130,000
	ENERGY	0
	VETERANS	214,000
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	404,000
GUARANTY	GENERAL BUS.	25,152,692
	ECONOMIC OP.	0
	HANDICAP	17,000
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	2,856,500
	TOTAL	28,026,192
	GENERAL BUS.	25,152,692
	ECONOMIC OP.	60,000
	HANDICAP	147,000
	ENERGY	0
	VETERANS	214,000
	DEVELOP CO.	2,856,500
	TOTAL ALL	28,430,192

RUN DATE: 08/16/89

SBA - LOAN ACCOUNTING ALLOTMENT SYSTEM (LAA)
SUMMARY LIST OF ALLOTMENTS, BALANCES (YTD)
MONTH ENDING: 08/15/89

SERV OFF: 1087 BOISE, IDAHO

LOAN TYPE	MAJOR PROGRAM	CUMMULATIVE (YTD) ALLOTMENT
DIRECT/IP	GENERAL BUS.	0
	ECONOMIC OP.	200,000
	HANDICAP	135,000
	ENERGY	0
	VETERANS	284,000
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	619,000
GUARANTY	GENERAL BUS.	18,285,458
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	4,885,075
	TOTAL	23,170,533
	GENERAL BUS.	18,285,458
	ECONOMIC OP.	200,000
	HANDICAP	135,000
	ENERGY	0
	VETERANS	284,000
	DEVELOP CO.	4,885,075
	TOTAL ALL	23,789,533

RUN DATE: 08/16/89

SBA - LOAN ACCOUNTING ALLOTMENT SYSTEM (LAA)
 SUMMARY LIST OF ALLOTMENTS, BALANCES (YTD)
 MONTH ENDING: 08/15/89

SERV OFF: 1094 SPOKANE, WASH.

LOAN TYPE	MAJOR PROGRAM	CUMMULATIVE (YTD) ALLOTMENT
DIRECT/IP	GENERAL BUS.	0
	ECONOMIC OP.	156,500
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	156,500
GUARANTY	GENERAL BUS.	20,744,271
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	3,482,000
	TOTAL	24,226,271
	GENERAL BUS.	20,744,271
	ECONOMIC OP.	156,500
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	DEVELOP CO.	3,482,000
	TOTAL ALL	24,382,771

RUN DATE: 08/16/89

SBA - LOAN ACCOUNTING ALLOTMENT SYSTEM (LAA)
SUMMARY LIST OF ALLOTMENTS, BALANCES (YTD)
MONTH ENDING: 08/15/89

REGION: 1000

LOAN TYPE	MAJOR PROGRAM	CUMMULATIVE (YTD) ALLOTMENT
DIRECT/IP	GENERAL BUS.	0
	ECONOMIC OP.	932,500
	HANDICAP	265,000
	ENERGY	0
	VETERANS	1,638,300
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	2,835,800
GUARANTY	GENERAL BUS.	124,644,683
	ECONOMIC OP.	0
	HANDICAP	17,000
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	19,282,075
	TOTAL	143,943,758
	GENERAL BUS.	124,644,683
	ECONOMIC OP.	932,500
	HANDICAP	282,000
	ENERGY	0
	VETERANS	1,638,300
	DEVELOP CO.	19,282,075
	TOTAL ALL	146,779,558

AMOUNT IN RESERVE AND NOT ALLOCATED

MAJOR PROGRAM	DIRECT/IP	GUARANTY	TOTAL
GENERAL BUS.	0	0	0
ECONOMIC OP.	0	0	0
HANDICAP	0	0	0
ENERGY	0	0	0
VETERANS	0	0	0
DEVELOP CO.	0	1,917,925	1,917,925
TOTAL	0	1,917,925	1,917,925

RUN DATE: 08/16/89

SBA - LOAN ACCOUNTING ALLOTMENT SYSTEM (LAA)
SUMMARY LIST OF ALLOTMENTS, BALANCES (YTD)
MONTH ENDING: 08/15/89

AGENCYWIDE

LOAN TYPE	MAJOR PROGRAM	CUMMULATIVE (YTD) ALLOTMENT
DIRECT/IP	GENERAL BUS.	0
	ECONOMIC OP.	17,000,000
	HANDICAP	11,998,416
	ENERGY	0
	VETERANS	16,987,672
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	45,986,088
GUARANTY	GENERAL BUS.	2,570,750,000
	ECONOMIC OP.	33,084,514
	HANDICAP	1,224,534
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	356,500,000
	TOTAL	2,961,559,048
	GENERAL BUS.	2,570,750,000
	ECONOMIC OP.	50,084,514
	HANDICAP	13,222,950
	ENERGY	0
	VETERANS	16,987,672
	DEVELOP CO.	356,500,000
	TOTAL ALL	3,007,545,136

AMOUNT IN RESERVE AND NOT ALLOCATED

MAJOR PROGRAM	DIRECT/IP	GUARANTY	TOTAL
GENERAL BUS.	0	50,250,000	50,250,000
ECONOMIC OP.	0	6,915,486	6,915,486
HANDICAP	1,584	3,775,466	3,777,050
ENERGY	0	5,000,000	5,000,000
VETERANS	12,328	0	12,328
DEVELOP CO.	0	8,500,000	8,500,000
TOTAL	13,912	74,440,952	74,454,864

RUN DATE: 08/16/89

SBA - LOAN ACCOUNTING ALLOTMENT SYSTEM (LAA)
SUMMARY LIST OF ALLOTMENTS, BALANCES (YTD)
MONTH ENDING: 08/15/89

OFFICE OF INVESTMENT - 6040

AMOUNT ALLOTTED

TOTAL GUARANTY	98,750,000
TOTAL MESBIC PREF STOCK DEBENTURE	27,000,000
TOTAL ALL SBIC	125,750,000

AMOUNT IN RESERVE AND NOT ALLOCATED

MESBIC (DIR)	9,000,000
GUARANTY	19,250,000

RUN DATE: 08/16/89

SBA - LOAN ACCOUNTING ALLOTMENT SYSTEM (LAA)
SUMMARY LIST OF ALLOTMENTS, BALANCES (YTD)
MONTH ENDING: 08/15/89

REGION: 0400

LOAN TYPE	MAJOR PROGRAM	CUMMULATIVE (YTD) ALLOTMENT
DIRECT/IP	GENERAL BUS.	0
	ECONOMIC OP.	4,641,343
	HANDICAP	2,415,332
	ENERGY	0
	VETERANS	5,656,222
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	12,712,897
GUARANTY	GENERAL BUS.	450,639,471
	ECONOMIC OP.	1,173,618
	HANDICAP	64,534
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	39,331,870
	TOTAL	491,209,493
	GENERAL BUS.	450,639,471
	ECONOMIC OP.	5,814,961
	HANDICAP	2,479,866
	ENERGY	0
	VETERANS	5,656,222
	DEVELOP CO.	39,331,870
	TOTAL ALL	503,922,390

AMOUNT IN RESERVE AND NOT ALLOCATED

MAJOR PROGRAM	DIRECT/IP	GUARANTY	TOTAL
GENERAL BUS.	0	4,113,292	4,113,292
ECONOMIC OP.	50,000	0	50,000
HANDICAP	0	0	0
ENERGY	0	0	0
VETERANS	0	0	0
DEVELOP CO.	0	3,568,130	3,568,130
TOTAL	50,000	7,681,422	7,731,422

RUN DATE: 08/16/89

SBA - LOAN ACCOUNTING ALLOTMENT SYSTEM (LAA)
 SUMMARY LIST OF ALLOTMENTS, BALANCES (YTD)
 MONTH ENDING: 08/15/89

SERV OFF: 0507 CHICAGO, ILL.

LOAN TYPE	MAJOR PROGRAM	CUMMULATIVE (YTD) ALLOTMENT
DIRECT/IP	GENERAL BUS.	0
	ECONOMIC OP.	345,000
	HANDICAP	0
	ENERGY	0
	VETERANS	177,000
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	522,000
GUARANTY	GENERAL BUS.	47,789,201
	ECONOMIC OP.	2,572,480
	HANDICAP	595,000
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	2,815,000
	TOTAL	53,771,681
	GENERAL BUS.	47,789,201
	ECONOMIC OP.	2,917,480
	HANDICAP	595,000
	ENERGY	0
	VETERANS	177,000
	DEVELOP CO.	2,815,000
	TOTAL ALL	54,293,681

RUN DATE: 08/16/89

SBA - LOAN ACCOUNTING ALLOTMENT SYSTEM (LAA)
 SUMMARY LIST OF ALLOTMENTS, BALANCES (YTD)
 MONTH ENDING: 08/15/89

SERV OFF: 0508 MINNEAPOLIS, MINN.

LOAN TYPE	MAJOR PROGRAM	CUMMULATIVE (YTD) ALLOTMENT
DIRECT/IP	GENERAL BUS.	0
	ECONOMIC OP.	0
	HANDICAP	88,000
	ENERGY	0
	VETERANS	217,300
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	305,300
GUARANTY	GENERAL BUS.	35,437,944
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	9,485,000
	TOTAL	44,922,944
	GENERAL BUS.	35,437,944
	ECONOMIC OP.	0
	HANDICAP	88,000
	ENERGY	0
	VETERANS	217,300
	DEVELOP CO.	9,485,000
	TOTAL ALL	45,228,244

RUN DATE: 08/16/89

SBA - LOAN ACCOUNTING ALLOTMENT SYSTEM (LAA)
 SUMMARY LIST OF ALLOTMENTS, BALANCES (YTD)
 MONTH ENDING: 08/15/89

SERV OFF: 0515 DETROIT, MICH.

LOAN TYPE	MAJOR PROGRAM	CUMMULATIVE (YTD) ALLOTMENT
DIRECT/ID	GENERAL BUS.	0
	ECONOMIC OP.	140,000
	HANDICAP	700,000
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	840,000
GUARANTY	GENERAL BUS.	32,201,771
	ECONOMIC OP.	2,689,500
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	8,241,000
	TOTAL	43,132,271
	GENERAL BUS.	32,201,771
	ECONOMIC OP.	2,829,500
	HANDICAP	700,000
	ENERGY	0
	VETERANS	0
	DEVELOP CO.	8,241,000
	TOTAL ALL	43,972,271

RUN DATE: 08/16/89

SBA - LOAN ACCOUNTING ALLOTMENT SYSTEM (LAA)
 SUMMARY LIST OF ALLOTMENTS, BALANCES (YTD)
 MONTH ENDING: 08/15/89

SERV OFF: 0517 SPRINGFIELD, ILL.

LOAN TYPE	MAJOR PROGRAM	CUMMULATIVE (YTD) ----- ALLOTMENT -----
DIRECT/IP	GENERAL BUS.	0
	ECONOMIC OP.	0
	HANDICAP	55,000
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	55,000
GUARANTY	GENERAL BUS.	20,085,112
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	1,908,800
	TOTAL	21,993,912
	GENERAL BUS.	20,085,112
	ECONOMIC OP.	0
	HANDICAP	55,000
	ENERGY	0
	VETERANS	0
	DEVELOP CO.	1,908,800
	TOTAL ALL	22,048,912

RUN DATE: 08/16/89

SBA - LOAN ACCOUNTING ALLOTMENT SYSTEM (LAA)
 SUMMARY LIST OF ALLOTMENTS, BALANCES (YTD)
 MONTH ENDING: 08/15/89

SERV OFF: 0519 SOUTH BEND, IND.

LOAN TYPE	MAJOR PROGRAM	CUMMULATIVE (YTD) ALLOTMENT
DIRECT/IP	GENERAL BUS.	0
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	0
GUARANTY	GENERAL BUS.	0
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	0
	GENERAL BUS.	0
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	DEVELOP CO.	0
	TOTAL ALL	0

RUN DATE: 08/16/89

SBA - LOAN ACCOUNTING ALLOTMENT SYSTEM (LAA)
 SUMMARY LIST OF ALLOTMENTS, BALANCES (YTD)
 MONTH ENDING: 08/15/89

SERV OFF: 0543 MILWAUKEE, WISC.

LOAN TYPE	MAJOR PROGRAM	CUMMULATIVE (YTD) ALLOTMENT
DIRECT/IP	GENERAL BUS.	0
	ECONOMIC OP.	0
	HANDICAP	358,486
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	358,486
GUARANTY	GENERAL BUS.	44,112,570
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	7,987,850
	TOTAL	52,100,420
	GENERAL BUS.	44,112,570
	ECONOMIC OP.	0
	HANDICAP	358,486
	ENERGY	0
	VETERANS	0
	DEVELOP CO.	7,987,850
	TOTAL ALL	52,458,906

RUN DATE: 08/16/89

SBA - LOAN ACCOUNTING ALLOTMENT SYSTEM (LAA)
 SUMMARY LIST OF ALLOTMENTS, BALANCES (YTD)
 MONTH ENDING: 08/15/89

SERV OFF: 0545 CINCINNATI, OHIO

LOAN TYPE	MAJOR PROGRAM	CUMMULATIVE (YTD) ALLOTMENT
DIRECT/IP	GENERAL BUS.	0
	ECONOMIC OP.	17,000
	HANDICAP	0
	ENERGY	0
	VETERANS	125,000
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	142,000
GUARANTY	GENERAL BUS.	9,564,890
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	9,915,000
	TOTAL	19,479,890
	GENERAL BUS.	9,564,890
	ECONOMIC OP.	17,000
	HANDICAP	0
	ENERGY	0
	VETERANS	125,000
	DEVELOP CO.	9,915,000
	TOTAL ALL	19,621,890

RUN DATE: 08/16/89

SBA - LOAN ACCOUNTING ALLOTMENT SYSTEM (LAA)
 SUMMARY LIST OF ALLOTMENTS, BALANCES (YTD)
 MONTH ENDING: 08/15/89

SERV OFF: 0547 MARQUETTE, MICH.

LOAN TYPE	MAJOR PROGRAM	CUMMULATIVE (YTD) ----- ALLOTMENT -----
DIRECT/IP	GENERAL BUS.	0
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	0
GUARANTY	GENERAL BUS.	0
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	0
	GENERAL BUS.	0
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	DEVELOP CO.	0
	TOTAL ALL	0

RUN DATE: 08/16/89

SBA - LOAN ACCOUNTING ALLOTMENT SYSTEM (LAA)
 SUMMARY LIST OF ALLOTMENTS, BALANCES (YTD)
 MONTH ENDING: 08/15/89

SERV OFF: 0549 CLEVELAND, OHIO

LOAN TYPE	MAJOR PROGRAM	CUMMULATIVE (YTD) ALLOTMENT
DIRECT/IP	GENERAL BUS.	0
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	18,250
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	18,250
GUARANTY	GENERAL BUS.	22,759,077
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	9,257,000
	TOTAL	32,016,077
	GENERAL BUS.	22,759,077
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	18,250
	DEVELOP CO.	9,257,000
	TOTAL ALL	32,034,327

RUN DATE: 08/16/89

SBA - LOAN ACCOUNTING ALLOTMENT SYSTEM (LAA)
 SUMMARY LIST OF ALLOTMENTS, BALANCES (YTD)
 MONTH ENDING: 08/15/89

SERV OFF: 0562 INDIANAPOLIS, IND

LOAN TYPE	MAJOR PROGRAM	CUMMULATIVE (YTD) ALLOTMENT
DIRECT/IP	GENERAL BUS.	0
	ECONOMIC OP.	195,000
	HANDICAP	58,500
	ENERGY	0
	VETERANS	566,500
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	820,000
GUARANTY	GENERAL BUS.	26,674,802
	ECONOMIC OP.	0
	HANDICAP	548,000
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	7,417,000
	TOTAL	34,639,802
	GENERAL BUS.	26,674,802
	ECONOMIC OP.	195,000
	HANDICAP	606,500
	ENERGY	0
	VETERANS	566,500
	DEVELOP CO.	7,417,000
	TOTAL ALL	35,459,802

RUN DATE: 08/16/89

SBA - LOAN ACCOUNTING ALLOTMENT SYSTEM (LAA)
SUMMARY LIST OF ALLOTMENTS, BALANCES (YTD)
MONTH ENDING: 08/15/89

SERV OFF: 0563 MADISON, WISC.

LOAN TYPE	MAJOR PROGRAM	CUMMULATIVE (YTD) ALLOTMENT
DIRECT/IP	GENERAL BUS.	0
	ECONOMIC OP.	380,600
	HANDICAP	134,250
	ENERGY	0
	VETERANS	17,500
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	532,350
GUARANTY	GENERAL BUS.	47,139,806
	ECONOMIC OP.	1,160,647
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	12,647,949
	TOTAL	60,948,402
	GENERAL BUS.	47,139,806
	ECONOMIC OP.	1,541,247
	HANDICAP	134,250
	ENERGY	0
	VETERANS	17,500
	DEVELOP CO.	12,647,949
	TOTAL ALL	61,480,752

RUN DATE: 08/16/89

SBA - LOAN ACCOUNTING ALLOTMENT SYSTEM (LAA)
 SUMMARY LIST OF ALLOTMENTS, BALANCES (YTD)
 MONTH ENDING: 08/15/89

SERV OFF: 0593 COLUMBUS, OHIO

LOAN TYPE	MAJOR PROGRAM	CUMMULATIVE (YTD) ----- ALLOTMENT
DIRECT/IP	GENERAL BUS.	0
	ECONOMIC OP.	81,000
	HANDICAP	42,000
	ENERGY	0
	VETERANS	350,000
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	473,000
GUARANTY	GENERAL BUS.	21,407,357
	ECONOMIC OP.	357,251
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	8,911,000
	TOTAL	30,675,608
	GENERAL BUS.	21,407,357
	ECONOMIC OP.	438,251
	HANDICAP	42,000
	ENERGY	0
	VETERANS	350,000
	DEVELOP CO.	8,911,000
	TOTAL ALL	31,148,608

RUN DATE: 08/16/89

SBA - LOAN ACCOUNTING ALLOTMENT SYSTEM (LAA)
SUMMARY LIST OF ALLOTMENTS, BALANCES (YTD)
MONTH ENDING: 08/15/89

REGION: 0500

LOAN TYPE	MAJOR PROGRAM	CUMMULATIVE (YTD) ALLOTMENT
DIRECT/IP	GENERAL BUS.	0
	ECONOMIC OP.	1,158,600
	HANDICAP	1,436,236
	ENERGY	0
	VETERANS	1,471,550
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	4,066,386
GUARANTY	GENERAL BUS.	307,172,530
	ECONOMIC OP.	6,779,878
	HANDICAP	1,143,000
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	78,585,599
	TOTAL	393,681,007
	GENERAL BUS.	307,172,530
	ECONOMIC OP.	7,938,478
	HANDICAP	2,579,236
	ENERGY	0
	VETERANS	1,471,550
	DEVELOP CO.	78,585,599
	TOTAL ALL	397,747,393

AMOUNT IN RESERVE AND NOT ALLOCATED

MAJOR PROGRAM	DIRECT/IP	GUARANTY	TOTAL
GENERAL BUS.	0	25,717,852	25,717,852
ECONOMIC OP.	0	0	0
HANDICAP	0	0	0
ENERGY	0	0	0
VETERANS	0	0	0
DEVELOP CO.	0	2,414,401	2,414,401
TOTAL	0	28,132,253	28,132,253

RUN DATE: 08/16/89

SBA - LOAN ACCOUNTING ALLOTMENT SYSTEM (LAA)
SUMMARY LIST OF ALLOTMENTS, BALANCES (YTD)
MONTH ENDING: 08/15/89

SERV OFF: 0610 DALLAS, TEXAS

LOAN TYPE	MAJOR PROGRAM	CUMMULATIVE (YTD) ALLOTMENT
DIRECT/IP	GENERAL BUS.	0
	ECONOMIC OP.	0
	HANDICAP	50,000
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	50,000
GUARANTY	GENERAL BUS.	77,733,953
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	1,638,000
	TOTAL	79,371,953
	GENERAL BUS.	77,733,953
	ECONOMIC OP.	0
	HANDICAP	50,000
	ENERGY	0
	VETERANS	0
	DEVELOP CO.	1,638,000
	TOTAL ALL	79,421,953

RUN DATE: 08/16/89

SBA - LOAN ACCOUNTING ALLOTMENT SYSTEM (LAA)
 SUMMARY LIST OF ALLOTMENTS, BALANCES (YTD)
 MONTH ENDING: 08/15/89

SERV OFF: 0623 FORT WORTH, TEXAS

LOAN TYPE	MAJOR PROGRAM	CUMMULATIVE (YTD) ALLOTMENT
DIRECT/IP	GENERAL BUS.	0
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	0
GUARANTY	GENERAL BUS.	0
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	0
	GENERAL BUS.	0
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	DEVELOP CO.	0
	TOTAL ALL	0

RUN DATE: 08/16/89

SBA - LOAN ACCOUNTING ALLOTMENT SYSTEM (LAA)
 SUMMARY LIST OF ALLOTMENTS, BALANCES (YTD)
 MONTH ENDING: 08/15/89

SERV OFF: 0632 EL PASO, TEXAS

LOAN TYPE	MAJOR PROGRAM	CUMMULATIVE (YTD) ----- ALLOTMENT -----
DIRECT/IP	GENERAL BUS.	0
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	0
GUARANTY	GENERAL BUS.	0
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	0
	GENERAL BUS.	0
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	DEVELOP CO.	0
	TOTAL ALL	0

RUN DATE: 08/16/89

SBA - LOAN ACCOUNTING ALLOTMENT SYSTEM (LAA)
 SUMMARY LIST OF ALLOTMENTS, BALANCES (YTD)
 MONTH ENDING: 08/15/89

SERV OFF: 0637 CORPUS CHRISTI, TEXAS

LOAN TYPE	MAJOR PROGRAM	CUMMULATIVE (YTD) ALLOTMENT
DIRECT/IP	GENERAL BUS.	0
	ECONOMIC OP.	390,000
	HANDICAP	40,000
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	430,000
GUARANTY	GENERAL BUS.	7,224,922
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	163,000
	TOTAL	7,387,922
	GENERAL BUS.	7,224,922
	ECONOMIC OP.	390,000
	HANDICAP	40,000
	ENERGY	0
	VETERANS	0
	DEVELOP CO.	163,000
	TOTAL ALL	7,817,922

RUN DATE: 08/16/89

SBA - LOAN ACCOUNTING ALLOTMENT SYSTEM (LAA)
SUMMARY LIST OF ALLOTMENTS, BALANCES (YTD)
MONTH ENDING: 08/15/89

SERV OFF: 0639 LOWER RIO GRANDE VALLEY, HARLINGEN, TEXAS

LOAN TYPE	MAJOR PROGRAM	CUMMULATIVE (YTD) ALLOTMENT
DIRECT/IP	GENERAL BUS.	0
	ECONOMIC OP.	451,500
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	451,500
GUARANTY	GENERAL BUS.	6,636,735
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	6,636,735
	GENERAL BUS.	6,636,735
	ECONOMIC OP.	451,500
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	DEVELOP CO.	0
	TOTAL ALL	7,088,235

RUN DATE: 08/16/89

SBA - LOAN ACCOUNTING ALLOTMENT SYSTEM (LAA)
SUMMARY LIST OF ALLOTMENTS, BALANCES (YTD)
MONTH ENDING: 08/15/89

SERV OFF: 0669 LITTLE ROCK, ARK.

LOAN TYPE	MAJOR PROGRAM	CUMMULATIVE (YTD) ALLOTMENT
DIRECT/IP	GENERAL BUS.	0
	ECONOMIC OP.	337,400
	HANDICAP	395,000
	ENERGY	0
	VETERANS	370,000
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	1,102,400
GUARANTY	GENERAL BUS.	11,960,831
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	497,000
	TOTAL	12,457,831
	GENERAL BUS.	11,960,831
	ECONOMIC OP.	337,400
	HANDICAP	395,000
	ENERGY	0
	VETERANS	370,000
	DEVELOP CO.	497,000
	TOTAL ALL	13,560,231

RUN DATE: 08/16/89

SBA - LOAN ACCOUNTING ALLOTMENT SYSTEM (LAA)
SUMMARY LIST OF ALLOTMENTS, BALANCES (YTD)
MONTH ENDING: 08/15/89

SERV OFF: 0671 HOUSTON, TEXAS

LOAN TYPE	MAJOR PROGRAM	CUMMULATIVE (YTD) ALLOTMENT
DIRECT/IP	GENERAL BUS.	0
	ECONOMIC OP.	0
	HANDICAP	331,500
	ENERGY	0
	VETERANS	255,200
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	586,700
GUARANTY	GENERAL BUS.	42,991,436
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	1,059,000
	TOTAL	44,050,436
	GENERAL BUS.	42,991,436
	ECONOMIC OP.	0
	HANDICAP	331,500
	ENERGY	0
	VETERANS	255,200
	DEVELOP CO.	1,059,000
	TOTAL ALL	44,637,136

RUN DATE: 08/16/89

SBA - LOAN ACCOUNTING ALLOTMENT SYSTEM (LAA)
 SUMMARY LIST OF ALLOTMENTS, BALANCES (YTD)
 MONTH ENDING: 08/15/89

SERV OFF: 0677 EL PASO, TEXAS

LOAN TYPE	MAJOR PROGRAM	CUMMULATIVE (YTD) ALLOTMENT
DIRECT/IP	GENERAL BUS.	0
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	0
GUARANTY	GENERAL BUS.	7,227,903
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	750,000
	TOTAL	7,977,903
	GENERAL BUS.	7,227,903
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	DEVELOP CO.	750,000
	TOTAL ALL	7,977,903

RUN DATE: 08/16/89

SBA - LOAN ACCOUNTING ALLOTMENT SYSTEM (LAA)
SUMMARY LIST OF ALLOTMENTS, BALANCES (YTD)
MONTH ENDING: 08/15/89

SERV OFF: 0678 LUBBOCK, TEXAS

LOAN TYPE	MAJOR PROGRAM	CUMMULATIVE (YTD) ALLOTMENT
DIRECT/IP	GENERAL BUS.	0
	ECONOMIC OP.	0
	HANDICAP	157,000
	ENERGY	0
	VETERANS	64,000
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	221,000
GUARANTY	GENERAL BUS.	32,728,497
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	933,373
	TOTAL	33,661,870
	GENERAL BUS.	32,728,497
	ECONOMIC OP.	0
	HANDICAP	157,000
	ENERGY	0
	VETERANS	64,000
	DEVELOP CO.	933,373
	TOTAL ALL	33,882,870

RUN DATE: 08/16/89

SBA - LOAN ACCOUNTING ALLOTMENT SYSTEM (LAA)
SUMMARY LIST OF ALLOTMENTS, BALANCES (YTD)
MONTH ENDING: 08/15/89

SERV OFF: 0679 NEW ORLEANS, LA.

LOAN TYPE	MAJOR PROGRAM	CUMMULATIVE (YTD) ALLOTMENT
DIRECT/IP	GENERAL BUS.	0
	ECONOMIC OP.	473,500
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	473,500
GUARANTY	GENERAL BUS.	19,792,664
	ECONOMIC OP.	2,794,687
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	258,000
	TOTAL	22,845,351
	GENERAL BUS.	19,792,664
	ECONOMIC OP.	3,268,187
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	DEVELOP CO.	258,000
	TOTAL ALL	23,318,851

RUN DATE: 08/16/89

SBA - LOAN ACCOUNTING ALLOTMENT SYSTEM (LAA)
SUMMARY LIST OF ALLOTMENTS, BALANCES (YTD)
MONTH ENDING: 08/15/89

SERV OFF: 0680 OKLAHOMA CITY, OKLA

LOAN TYPE	MAJOR PROGRAM	CUMMULATIVE (YTD) ALLOTMENT
DIRECT/IP	GENERAL BUS.	0
	ECONOMIC OP.	0
	HANDICAP	192,000
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	192,000
GUARANTY	GENERAL BUS.	29,933,729
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	2,868,000
	TOTAL	32,801,729
	GENERAL BUS.	29,933,729
	ECONOMIC OP.	0
	HANDICAP	192,000
	ENERGY	0
	VETERANS	0
	DEVELOP CO.	2,868,000
	TOTAL ALL	32,993,729

RUN DATE: 08/16/89

SBA - LOAN ACCOUNTING ALLOTMENT SYSTEM (LAA)
SUMMARY LIST OF ALLOTMENTS, BALANCES (YTD)
MONTH ENDING: 08/15/89

SERV OFF: 0681 SAN ANTONIO, TEXAS

LOAN TYPE	MAJOR PROGRAM	CUMMULATIVE (YTD) ALLOTMENT
DIRECT/IP	GENERAL BUS.	0
	ECONOMIC OP.	0
	HANDICAP	100,300
	ENERGY	0
	VETERANS	159,000
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	259,300
GUARANTY	GENERAL BUS.	32,626,861
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	1,741,000
	TOTAL	34,367,861
	GENERAL BUS.	32,626,861
	ECONOMIC OP.	0
	HANDICAP	100,300
	ENERGY	0
	VETERANS	159,000
	DEVELOP CO.	1,741,000
	TOTAL ALL	34,627,161

RUN DATE: 08/16/89

SBA - LOAN ACCOUNTING ALLOTMENT SYSTEM (LAA)
 SUMMARY LIST OF ALLOTMENTS, BALANCES (YTD)
 MONTH ENDING: 08/15/89

SERV OFF: 0682 ALBUQUERQUE, N. M.

LOAN TYPE	MAJOR PROGRAM	CUMMULATIVE (YTD) ALLOTMENT
DIRECT/IP	GENERAL BUS.	0
	ECONOMIC OP.	0
	HANDICAP	118,900
	ENERGY	0
	VETERANS	75,000
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	193,900
GUARANTY	GENERAL BUS.	22,683,027
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	22,683,027
	GENERAL BUS.	22,683,027
	ECONOMIC OP.	0
	HANDICAP	118,900
	ENERGY	0
	VETERANS	75,000
	DEVELOP CO.	0
	TOTAL ALL	22,876,927

RUN DATE: 08/16/89

SBA - LOAN ACCOUNTING ALLOTMENT SYSTEM (LAA)
SUMMARY LIST OF ALLOTMENTS, BALANCES (YTD)
MONTH ENDING: 08/15/89

REGION: 0600

LOAN TYPE	MAJOR PROGRAM	CUMMULATIVE (YTD) ALLOTMENT
DIRECT/IP	GENERAL BUS.	0
	ECONOMIC OP.	1,652,400
	HANDICAP	1,384,700
	ENERGY	0
	VETERANS	923,200
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	3,960,300
GUARANTY	GENERAL BUS.	291,540,558
	ECONOMIC OP.	2,794,687
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	9,907,373
	TOTAL	304,242,618
	GENERAL BUS.	291,540,558
	ECONOMIC OP.	4,447,087
	HANDICAP	1,384,700
	ENERGY	0
	VETERANS	923,200
	DEVELOP CO.	9,907,373
	TOTAL ALL	308,202,918

AMOUNT IN RESERVE AND NOT ALLOCATED

MAJOR PROGRAM	DIRECT/IP	GUARANTY	TOTAL
GENERAL BUS.	0	8,045,355	8,045,355
ECONOMIC OP.	0	6,600	6,600
HANDICAP	0	0	0
ENERGY	0	0	0
VETERANS	0	0	0
DEVELOP CO.	0	1,092,627	1,092,627
TOTAL	0	9,144,582	9,144,582

RUN DATE: 08/16/89

SBA - LOAN ACCOUNTING ALLOTMENT SYSTEM (LAA)
 SUMMARY LIST OF ALLOTMENTS, BALANCES (YTD)
 MONTH ENDING: 08/15/89

SERV OFF: 0709 KANSAS CITY, MO

LOAN TYPE	MAJOR PROGRAM	CUMMULATIVE (YTD) ----- ALLOTMENT -----
DIRECT/IP	GENERAL BUS.	0
	ECONOMIC OP.	0
	HANDICAP	223,121
	ENERGY	0
	VETERANS	35,000
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	258,121
GUARANTY	GENERAL BUS.	35,379,450
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	4,186,000
	TOTAL	39,565,450
	GENERAL BUS.	35,379,450
	ECONOMIC OP.	0
	HANDICAP	223,121
	ENERGY	0
	VETERANS	35,000
	DEVELOP CO.	4,186,000
	TOTAL ALL	39,823,571

RUN DATE: 08/16/89

SBA - LOAN ACCOUNTING ALLOTMENT SYSTEM (LAA)
 SUMMARY LIST OF ALLOTMENTS, BALANCES (YTD)
 MONTH ENDING: 08/15/89

SERV OFF: 0721 SPRINGFIELD, MO.

LOAN TYPE	MAJOR PROGRAM	CUMMULATIVE (YTD) ALLOTMENT
DIRECT/IP	GENERAL BUS.	0
	ECONOMIC OP.	177,500
	HANDICAP	205,000
	ENERGY	0
	VETERANS	120,000
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	502,500
GUARANTY	GENERAL BUS.	23,397,795
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	1,471,000
	TOTAL	24,868,795
	GENERAL BUS.	23,397,795
	ECONOMIC OP.	177,500
	HANDICAP	205,000
	ENERGY	0
	VETERANS	120,000
	DEVELOP CO.	1,471,000
	TOTAL ALL	25,371,295

RUN DATE: 08/16/89

SBA - LOAN ACCOUNTING ALLOTMENT SYSTEM (LAA)
 SUMMARY LIST OF ALLOTMENTS, BALANCES (YTD)
 MONTH ENDING: 08/15/89

SERV OFF: 0722 SIKESTON, MO.

LOAN TYPE	MAJOR PROGRAM	CUMMULATIVE (YTD) ALLOTMENT
DIRECT/IP	GENERAL BUS.	0
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	0
GUARANTY	GENERAL BUS.	0
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	0
	GENERAL BUS.	0
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	DEVELOP CO.	0
	TOTAL ALL	0

RUN DATE: 08/16/89

SBA - LOAN ACCOUNTING ALLOTMENT SYSTEM (LAA)
 SUMMARY LIST OF ALLOTMENTS, BALANCES (YTD)
 MONTH ENDING: 08/15/89

SERV OFF: 0736 CEDAR RAPIDS, IOWA

LOAN TYPE	MAJOR PROGRAM	CUMMULATIVE (YTD) ALLOTMENT
DIRECT/IP	GENERAL BUS.	0
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	0
GUARANTY	GENERAL BUS.	20,090,854
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	2,233,000
	TOTAL	22,323,854
	GENERAL BUS.	20,090,854
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	DEVELOP CO.	2,233,000
	TOTAL ALL	22,323,854

RUN DATE: 08/16/89

SBA - LOAN ACCOUNTING ALLOTMENT SYSTEM (LAA)
SUMMARY LIST OF ALLOTMENTS, BALANCES (YTD)
MONTH ENDING: 08/15/89

SERV OFF: 0761 DES MOINES, IOWA

LOAN TYPE	MAJOR PROGRAM	CUMMULATIVE (YTD) ALLOTMENT
DIRECT/IP	GENERAL BUS.	0
	ECONOMIC OP.	100,000
	HANDICAP	108,900
	ENERGY	0
	VETERANS	25,000
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	233,900
GUARANTY	GENERAL BUS.	30,740,269
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	2,466,750
	TOTAL	33,207,019
	GENERAL BUS.	30,740,269
	ECONOMIC OP.	100,000
	HANDICAP	108,900
	ENERGY	0
	VETERANS	25,000
	DEVELOP CO.	2,466,750
	TOTAL ALL	33,440,919

RUN DATE: 08/16/89

SBA - LOAN ACCOUNTING ALLOTMENT SYSTEM (LAA)
 SUMMARY LIST OF ALLOTMENTS, BALANCES (YTD)
 MONTH ENDING: 08/15/89

SERV OFF: 0766 OMAHA, NEB.

LOAN TYPE	MAJOR PROGRAM	CUMMULATIVE (YTD) ALLOTMENT
DIRECT/IP	GENERAL BUS.	0
	ECONOMIC OP.	0
	HANDICAP	20,000
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	20,000
GUARANTY	GENERAL BUS.	20,161,960
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	500,000
	TOTAL	20,661,960
	GENERAL BUS.	20,161,960
	ECONOMIC OP.	0
	HANDICAP	20,000
	ENERGY	0
	VETERANS	0
	DEVELOP CO.	500,000
	TOTAL ALL	20,681,960

RUN DATE: 08/16/89

SBA - LOAN ACCOUNTING ALLOTMENT SYSTEM (LAA)
 SUMMARY LIST OF ALLOTMENTS, BALANCES (YTD)
 MONTH ENDING: 08/15/89

SERV OFF: 0767 WICHITA, KANS.

LOAN TYPE	MAJOR PROGRAM	CUMMULATIVE (YTD) ALLOTMENT
DIRECT/IP	GENERAL BUS.	0
	ECONOMIC OP.	0
	HANDICAP	543,000
	ENERGY	0
	VETERANS	30,000
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	573,000
GUARANTY	GENERAL BUS.	28,904,391
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	1,434,000
	TOTAL	30,338,391
	GENERAL BUS.	28,904,391
	ECONOMIC OP.	0
	HANDICAP	543,000
	ENERGY	0
	VETERANS	30,000
	DEVELOP CO.	1,434,000
	TOTAL ALL	30,911,391

RUN DATE: 08/16/89

SBA - LOAN ACCOUNTING ALLOTMENT SYSTEM (LAA)
 SUMMARY LIST OF ALLOTMENTS, BALANCES (YTD)
 MONTH ENDING: 08/15/89

SERV OFF: 0768 ST. LOUIS, MO.

LOAN TYPE	MAJOR PROGRAM	CUMMULATIVE (YTD) ALLOTMENT
DIRECT/IP	GENERAL BUS.	0
	ECONOMIC OP.	338,000
	HANDICAP	971,050
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	1,309,050
GUARANTY	GENERAL BUS.	26,757,561
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	10,479,000
	TOTAL	37,236,561
	GENERAL BUS.	26,757,561
	ECONOMIC OP.	338,000
	HANDICAP	971,050
	ENERGY	0
	VETERANS	0
	DEVELOP CO.	10,479,000
	TOTAL ALL	38,545,611

RUN DATE: 08/16/89

SBA - LOAN ACCOUNTING ALLOTMENT SYSTEM (LAA)
SUMMARY LIST OF ALLOTMENTS, BALANCES (YTD)
MONTH ENDING: 08/15/89

REGION: 0700

LOAN TYPE	MAJOR PROGRAM	CUMMULATIVE (YTD) ALLOTMENT
DIRECT/IP	GENERAL BUS.	0
	ECONOMIC OP.	615,500
	HANDICAP	2,071,071
	ENERGY	0
	VETERANS	210,000
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	2,896,571
GUARANTY	GENERAL BUS.	185,432,280
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	22,769,750
	TOTAL	208,202,030
	GENERAL BUS.	185,432,280
	ECONOMIC OP.	615,500
	HANDICAP	2,071,071
	ENERGY	0
	VETERANS	210,000
	DEVELOP CO.	22,769,750
	TOTAL ALL	211,098,601

AMOUNT IN RESERVE AND NOT ALLOCATED

MAJOR PROGRAM	DIRECT/IP	GUARANTY	TOTAL
GENERAL BUS.	0	22,062,454	22,062,454
ECONOMIC OP.	14,000	0	14,000
HANDICAP	0	0	0
ENERGY	0	0	0
VETERANS	0	0	0
DEVELOP CO.	0	30,250	30,250
TOTAL	14,000	22,092,704	22,106,704

RUN DATE: 08/16/89

SBA - LOAN ACCOUNTING ALLOTMENT SYSTEM (LAA)
SUMMARY LIST OF ALLOTMENTS, BALANCES (YTD)
MONTH ENDING: 08/15/89

SERV OFF: 0811 DENVER, COLO

LOAN TYPE	MAJOR PROGRAM	CUMMULATIVE (YTD) ALLOTMENT
DIRECT/IP	GENERAL BUS.	0
	ECONOMIC OP.	0
	HANDICAP	213,777
	ENERGY	0
	VETERANS	240,000
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	453,777
GUARANTY	GENERAL BUS.	40,030,407
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	2,605,000
	TOTAL	42,635,407
	GENERAL BUS.	40,030,407
	ECONOMIC OP.	0
	HANDICAP	213,777
	ENERGY	0
	VETERANS	240,000
	DEVELOP CO.	2,605,000
	TOTAL ALL	43,089,184

RUN DATE: 08/16/89

SBA - LOAN ACCOUNTING ALLOTMENT SYSTEM (LAA)
 SUMMARY LIST OF ALLOTMENTS, BALANCES (YTD)
 MONTH ENDING: 08/15/89

SERV OFF: 0875 FARGO, N. D.

LOAN TYPE	MAJOR PROGRAM	CUMMULATIVE (YTD) ALLOTMENT
DIRECT/IP	GENERAL BUS.	0
	ECONOMIC OP.	0
	HANDICAP	46,750
	ENERGY	0
	VETERANS	10,000
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	56,750
GUARANTY	GENERAL BUS.	17,935,490
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	1,526,000
	TOTAL	19,461,490
	GENERAL BUS.	17,935,490
	ECONOMIC OP.	0
	HANDICAP	46,750
	ENERGY	0
	VETERANS	10,000
	DEVELOP CO.	1,526,000
	TOTAL ALL	19,518,240

RUN DATE: 08/16/89

SBA - LOAN ACCOUNTING ALLOTMENT SYSTEM (LAA)
 SUMMARY LIST OF ALLOTMENTS, BALANCES (YTD)
 MONTH ENDING: 08/15/89

SERV OFF: 0876 SIOUX FALLS, S. D.

LOAN TYPE	MAJOR PROGRAM	CUMMULATIVE (YTD) ALLOTMENT
DIRECT/IP	GENERAL BUS.	0
	ECONOMIC OP.	300,000
	HANDICAP	148,000
	ENERGY	0
	VETERANS	574,800
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	1,022,800
GUARANTY	GENERAL BUS.	26,869,212
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	166,000
	TOTAL	27,035,212
	GENERAL BUS.	26,869,212
	ECONOMIC OP.	300,000
	HANDICAP	148,000
	ENERGY	0
	VETERANS	574,800
	DEVELOP CO.	166,000
	TOTAL ALL	28,058,012

RUN DATE: 08/16/89

SBA - LOAN ACCOUNTING ALLOTMENT SYSTEM (LAA)
 SUMMARY LIST OF ALLOTMENTS, BALANCES (YTD)
 MONTH ENDING: 08/15/89

SERV OFF: 0883 SALT LAKE CITY, UTAH

LOAN TYPE	MAJOR PROGRAM	CUMMULATIVE (YTD) ALLOTMENT
DIRECT/IP	GENERAL BUS.	0
	ECONOMIC OP.	0
	HANDICAP	64,500
	ENERGY	0
	VETERANS	254,000
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	318,500
GUARANTY	GENERAL BUS.	27,515,355
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	11,365,000
	TOTAL	38,880,355
	GENERAL BUS.	27,515,355
	ECONOMIC OP.	0
	HANDICAP	64,500
	ENERGY	0
	VETERANS	254,000
	DEVELOP CO.	11,365,000
	TOTAL ALL	39,198,855

RUN DATE: 08/16/89

SBA - LOAN ACCOUNTING ALLOTMENT SYSTEM (LAA)
 SUMMARY LIST OF ALLOTMENTS, BALANCES (YTD)
 MONTH ENDING: 08/15/89

SERV OFF: 0885 HELENA, MONT

LOAN TYPE	MAJOR PROGRAM	CUMMULATIVE (YTD) ----- ALLOTMENT -----
DIRECT/IP	GENERAL BUS.	0
	ECONOMIC OP.	0
	HANDICAP	140,250
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	140,250
GUARANTY	GENERAL BUS.	42,423,346
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	271,000
	TOTAL	42,694,346
	GENERAL BUS.	42,423,346
	ECONOMIC OP.	0
	HANDICAP	140,250
	ENERGY	0
	VETERANS	0
	DEVELOP CO.	271,000
	TOTAL ALL	42,834,596

RUN DATE: 08/16/89

SBA - LOAN ACCOUNTING ALLOTMENT SYSTEM (LAA)
SUMMARY LIST OF ALLOTMENTS, BALANCES (YTD)
MONTH ENDING: 08/15/89

SERV OFF: 0897 CASPER, WYO.

LOAN TYPE	MAJOR PROGRAM	CUMMULATIVE (YTD) ALLOTMENT
DIRECT/IP	GENERAL BUS.	0
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	0
GUARANTY	GENERAL BUS.	4,119,650
	ECONOMIC OP.	5,249,754
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	233,000
	TOTAL	9,602,404
	GENERAL BUS.	4,119,650
	ECONOMIC OP.	5,249,754
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	DEVELOP CO.	233,000
	TOTAL ALL	9,602,404

RUN DATE: 08/16/89

SBA - LOAN ACCOUNTING ALLOTMENT SYSTEM (LAA)
 SUMMARY LIST OF ALLOTMENTS, BALANCES (YTD)
 MONTH ENDING: 08/15/89

SERV OFF: 0898 RAPID CITY, S.D.

LOAN TYPE	MAJOR PROGRAM	CUMMULATIVE (YTD) ALLOTMENT
DIRECT/IP	GENERAL BUS.	0
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	0
GUARANTY	GENERAL BUS.	0
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	0
	GENERAL BUS.	0
	ECONOMIC OP.	0
	HANDICAP	0
	ENERG /	0
	VETERANS	0
	DEVELOP CO.	0
	TOTAL ALL	0

RUN DATE: 08/16/89

SBA - LOAN ACCOUNTING ALLOTMENT SYSTEM (LAA)
 SUMMARY LIST OF ALLOTMENTS, BALANCES (YTD)
 MONTH ENDING: 08/15/89

REGION: 0800

LOAN TYPE	MAJOR PROGRAM	CUMMULATIVE (YTD) ALLOTMENT
DIRECT/IP	GENERAL BUS.	0
	ECONOMIC OP.	300,000
	HANDICAP	613,277
	ENERGY	0
	VETERANS	1,078,800
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	1,992,077
GUARANTY	GENERAL BUS.	158,893,460
	ECONOMIC OP.	5,549,754
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	16,166,000
	TOTAL	180,309,214
	GENERAL BUS.	158,893,460
	ECONOMIC OP.	5,549,754
	HANDICAP	613,277
	ENERGY	0
	VETERANS	1,078,800
	DEVELOP CO.	16,166,000
	TOTAL ALL	182,301,291

AMOUNT IN RESERVE AND NOT ALLOCATED

MAJOR PROGRAM	DIRECT/IP	GUARANTY	TOTAL
GENERAL BUS.	0	2,000,000	2,000,000
ECONOMIC OP.	0	0	0
HANDICAP	0	0	0
ENERGY	0	0	0
VETERANS	0	0	0
DEVELOP CO.	0	434,000	434,000
TOTAL	0	2,434,000	2,434,000

RUN DATE: 08/16/89

SBA - LOAN ACCOUNTING ALLOTMENT SYSTEM (LAA)
 SUMMARY LIST OF ALLOTMENTS, BALANCES (YTD)
 MONTH ENDING: 08/15/89

SERV OFF: 0912 SAN FRANCISCO, CALIF

LOAN TYPE	MAJOR PROGRAM	CUMMULATIVE (YTD) ALLOTMENT
DIRECT/IP	GENERAL BUS.	0
	ECONOMIC OP.	107,000
	HANDICAP	264,000
	ENERGY	0
	VETERANS	568,500
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	939,500
GUARANTY	GENERAL BUS.	126,388,082
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	0
	503 DCL	
	504 DCL	
	DEVELOP CO.	19,917,006
	TOTAL	146,305,088
	GENERAL BUS.	126,388,082
	ECONOMIC OP.	107,000
	HANDICAP	264,000
	ENERGY	0
	VETERANS	568,500
	DEVELOP CO.	19,917,006
	TOTAL ALL	147,244,588

RUN DATE: 08/16/89

SBA - LOAN ACCOUNTING ALLOTMENT SYSTEM (LAA)
 SUMMARY LIST OF ALLOTMENTS, BALANCES (YTD)
 MONTH ENDING: 08/15/89

SERV OFF: 0914 LOS ANGELES, CALIF

LOAN TYPE	MAJOR PROGRAM	CUMMULATIVE (YTD) ALLOTMENT
DIRECT/IP	GENERAL BUS.	0
	ECONOMIC OP.	180,000
	HANDICAP	345,000
	ENERGY	0
	VETERANS	773,000
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	1,298,000
GUARANTY	GENERAL BUS.	118,266,937
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	9,024,950
	TOTAL	127,291,887
	GENERAL BUS.	118,266,937
	ECONOMIC OP.	180,000
	HANDICAP	345,000
	ENERGY	0
	VETERANS	773,000
	DEVELOP CO.	9,024,950
	TOTAL ALL	128,589,887

RUN DATE: 08/16/89

SBA - LOAN ACCOUNTING ALLOTMENT SYSTEM (LAA)
 SUMMARY LIST OF ALLOTMENTS, BALANCES (YTD)
 MONTH ENDING: 08/15/89

SERV OFF: 0920 SANTA ANA, CALIF.

LOAN TYPE	MAJOR PROGRAM	CUMMULATIVE (YTD) ALLOTMENT
DIRECT/IP	GENERAL BUS.	0
	ECONOMIC OP.	0
	HANDICAP	296,000
	ENERGY	0
	VETERANS	165,000
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	461,000
GUARANTY	GENERAL BUS.	69,573,596
	ECONOMIC OP.	478,284
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	8,055,745
	TOTAL	78,107,625
	GENERAL BUS.	69,573,596
	ECONOMIC OP.	478,284
	HANDICAP	296,000
	ENERGY	0
	VETERANS	165,000
	DEVELOP CO.	8,055,745
	TOTAL ALL	78,568,625

RUN DATE: 08/16/89

SBA - LOAN ACCOUNTING ALLOTMENT SYSTEM (LAA)
 SUMMARY LIST OF ALLOTMENTS, BALANCES (YTD)
 MONTH ENDING: 08/15/89

SERV OFF: 0927 SANTA ANA, CA

LOAN TYPE	MAJOR PROGRAM	CUMMULATIVE (YTD) ----- ALLOTMENT -----
DIRECT/IP	GENERAL BUS.	0
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	0
GUARANTY	GENERAL BUS.	0
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	0
	GENERAL BUS.	0
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	DEVELOP CO.	0
	TOTAL ALL	0

RUN DATE: 08/16/89

SBA - LOAN ACCOUNTING ALLOTMENT SYSTEM (LAA)
SUMMARY LIST OF ALLOTMENTS, BALANCES (YTD)
MONTH ENDING: 08/15/89

SERV OFF: 0931 SACRAMENTO, CALIF.

LOAN TYPE	MAJOR PROGRAM	CUMMULATIVE (YTD) ALLOTMENT
DIRECT/IP	GENERAL BUS.	0
	ECONOMIC OP.	0
	HANDICAP	150,000
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	150,000
GUARANTY	GENERAL BUS.	47,747,632
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	9,765,478
	TOTAL	57,513,110
	GENERAL BUS.	47,747,632
	ECONOMIC OP.	0
	HANDICAP	150,000
	ENERGY	0
	VETERANS	0
	DEVELOP CO.	9,765,478
	TOTAL ALL	57,663,110

RUN DATE: 08/16/89

SBA - LOAN ACCOUNTING ALLOTMENT SYSTEM (LAA)
 SUMMARY LIST OF ALLOTMENTS, BALANCES (YTD)
 MONTH ENDING: 08/15/89

SERV OFF: 0942 FRESNO, CALIF

LOAN TYPE	MAJOR PROGRAM	CUMULATIVE (YTD) ALLOTMENT
DIRECT/IP	GENERAL BUS.	0
	ECONOMIC OP.	160,250
	HANDICAP	49,000
	ENERGY	0
	VETERANS	125,000
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	334,250
GUARANTY	GENERAL BUS.	38,997,540
	ECONOMIC OP.	1,101,630
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	4,406,653
	TOTAL	44,505,823
	GENERAL BUS.	38,997,540
	ECONOMIC OP.	1,261,880
	HANDICAP	49,000
	ENERGY	0
	VETERANS	125,000
	DEVELOP CO.	4,406,653
	TOTAL ALL	44,840,073

RUN DATE: 08/16/89

SBA - LOAN ACCOUNTING ALLOTMENT SYSTEM (LAA)
 SUMMARY LIST OF ALLOTMENTS, BALANCES (YTD)
 MONTH ENDING: 08/15/89

SERV OFF: 0944 LAS VEGAS, NEV.

LOAN TYPE	MAJOR PROGRAM	CUMMULATIVE (YTD) ----- ALLOTMENT -----
DIRECT/IP	GENERAL BUS.	0
	ECONOMIC OP.	383,000
	HANDICAP	153,000
	ENERGY	0
	VETERANS	40,000
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	576,000
GUARANTY	GENERAL BUS.	19,387,709
	ECONOMIC OP.	40,500
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	10,736,500
	TOTAL	30,164,709
	GENERAL BUS.	19,387,709
	ECONOMIC OP.	423,500
	HANDICAP	153,000
	ENERGY	0
	VETERANS	40,000
	DEVELOP CO.	10,736,500
	TOTAL ALL	30,740,709

RUN DATE: 08/16/89

SBA - LOAN ACCOUNTING ALLOTMENT SYSTEM (LAA)
 SUMMARY LIST OF ALLOTMENTS, BALANCES (YTD)
 MONTH ENDING: 08/15/89

SERV OFF: 0951 HONOLULU, HAWAII

LOAN TYPE	MAJOR PROGRAM	CUMMULATIVE (YTD) ALLOTMENT
DIRECT/IP	GENERAL BUS.	0
	ECONOMIC OP.	25,000
	HANDICAP	0
	ENERGY	0
	VETERANS	521,700
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	546,700
GUARANTY	GENERAL BUS.	8,188,485
	ECONOMIC OP.	126,000
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	1,888,000
	TOTAL	10,202,485
	GENERAL BUS.	8,188,485
	ECONOMIC OP.	151,000
	HANDICAP	0
	ENERGY	0
	VETERANS	521,700
	DEVELOP CO.	1,888,000
	TOTAL ALL	10,749,185

RUN DATE: 08/16/89

SBA - LOAN ACCOUNTING ALLOTMENT SYSTEM (LAA)
 SUMMARY LIST OF ALLOTMENTS, BALANCES (YTD)
 MONTH ENDING: 08/15/89

SERV OFF: 0954 SAN DIEGO, CALIF

LOAN TYPE	MAJOR PROGRAM	CUMMULATIVE (YTD) ALLOTMENT
DIRECT/IP	GENERAL BUS.	0
	ECONOMIC OP.	90,000
	HANDICAP	35,000
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	125,000
GUARANTY	GENERAL BUS.	45,018,798
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	27,827,704
	TOTAL	72,846,502
	GENERAL BUS.	45,018,798
	ECONOMIC OP.	90,000
	HANDICAP	35,000
	ENERGY	0
	VETERANS	0
	DEVELOP CO.	27,827,704
	TOTAL ALL	72,971,502

RUN DATE: 08/16/89

SBA - LOAN ACCOUNTING ALLOTMENT SYSTEM (LAA)
SUMMARY LIST OF ALLOTMENTS, BALANCES (YTD)
MONTH ENDING: 08/15/89

SERV OFF: 0988 PHOENIX, ARIZ.

LOAN TYPE	MAJOR PROGRAM	CUMMULATIVE (YTD) ALLOTMENT
DIRECT/IP	GENERAL BUS.	0
	ECONOMIC OP.	0
	HANDICAP	486,000
	ENERGY	0
	VETERANS	17,000
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	0
	TOTAL	503,000
GUARANTY	GENERAL BUS.	23,851,506
	ECONOMIC OP.	0
	HANDICAP	0
	ENERGY	0
	VETERANS	0
	502 DCL	
	503 DCL	
	504 DCL	
	DEVELOP CO.	4,598,920
	TOTAL	28,450,426
	GENERAL BUS.	23,851,506
	ECONOMIC OP.	0
	HANDICAP	486,000
	ENERGY	0
	VETERANS	17,000
	DEVELOP CO.	4,598,920
	TOTAL ALL	28,953,426

STATEMENT OF THE HONORABLE JOSEPH M. McDADE
VICE-CHAIRMAN
COMMITTEE ON SMALL BUSINESS
U.S. HOUSE OF REPRESENTATIVES
JULY 26, 1989

Mr. Chairman, I am delighted that you have called for this second day of hearings on two vitally important lending programs of the U.S. Small Business Administration. The 7(a) guaranteed business loan program and the 504 Certified Development Company program play an important role in the establishment and growth of small businesses in nearly every corner of our country. During this decade, small firms have grown from roughly 12.5 million to over 20 million, an increase of 60 percent. Today, nearly six out of every ten workers in our economy are employed by small businesses. It should be evident from these facts that small business is where the action is in regards to both the creation of new enterprises and new jobs. The future health of our economy rests in the hands of these small entrepreneurs. It is critical that we assist this group of overachievers as they continue their efforts to strengthen the American economy. For them to do this, we must continue to provide them with that most important of all resources: capital.

Since you were the principal architect of the beginnings of the 504 program with your sponsorship of the Section 503 program in 1980, Mr. Chairman, you should take great pride in the results it has brought about. Since 1980, this program has made over 7,000 loans and helped maintain or create over 100,000 jobs. Results such as these are what has made this program popular

among small business operators. Funds available through this program don't guarantee success, but they do help to put a down payment on it. Similarly, the 7(a) program, with its over \$2.5 billion in lending authority for fiscal 1989, aids in bridging the financial resource gap which threatens many small companies.

It has been estimated that during the next 25 years the United States will need to create 43 million jobs, and small businesses are expected to create at least 75 percent of these. I believe it is of great importance that those of us in positions of responsibility do everything within our power to provide as conducive an atmosphere as possible to bring about this growth. We should keep these facts in mind this morning as we listen to the testimony of our distinguished panel.

STATEMENT OF THE HONORABLE ELIOT L. ENGEL
BEFORE THE SMALL BUSINESS COMMITTEE

JULY 26, 1989

MR. CHAIRMAN, THANK YOU FOR HOLDING A SECOND HEARING ABOUT THE IMPACT OF BUDGET PROBLEMS ON THE SMALL BUSINESS ADMINISTRATION'S FINANCIAL ASSISTANCE PROGRAMS. I AM PLEASED THAT THE SMALL BUSINESS COMMITTEE IS TAKING THE TIME TO ADDRESS THIS IMPORTANT ISSUE.

THERE ARE OVER 19 MILLION SMALL BUSINESSES IN THE UNITED STATES AND THE NUMBER CONTINUES TO INCREASE. DURING THE LAST DECADE, THESE ENTERPRISES HAVE EXPANDED FASTER THAN OTHER PARTS OF OUR ECONOMY AND ARE NOW THE FASTEST GROWING EMPLOYERS IN THE UNITED STATES.

IN THE EARLY 1980'S, THE REAGAN ADMINISTRATION UNSUCCESSFULLY ATTEMPTED TO ELIMINATE THE SMALL BUSINESS ADMINISTRATION. WHILE SMALL BUSINESS PROGRAMS HAVE BEEN REDUCED FROM THEIR PRE-1980 LEVELS, THEY HAVE BEEN CRUCIAL IN HELPING MANY COMPANIES SUCCEED.

MY DISTRICT HAS THOUSANDS OF SMALL BUSINESSES, MANY OF WHICH CURRENTLY RECEIVE FINANCIAL ASSISTANCE FROM THE SMALL BUSINESS ADMINISTRATION. WHILE WE DO HAVE BUDGET CONSTRAINTS FACING ALL BRANCHES OF GOVERNMENT, IT IS IMPORTANT THAT WE MAINTAIN PROGRAMS WHICH HAVE ALLOWED SMALL BUSINESS TO

PROSPER OVER THE LAST DECADE.

MR. CHAIRMAN, I COMMEND YOU FOR HOLDING THIS SERIES OF HEARINGS TO DEAL WITH THIS IMPORTANT ISSUE. I LOOK FORWARD TO HEARING TODAY'S TESTIMONY AND TO WORKING WITH MY COLLEAGUES TO ENSURE THAT SMALL BUSINESS ASSISTANCE CONTINUES.

Statement of

Philip Vallandingham

President, First State Bank of Barboursville, West Virginia

and

President-Elect

THE INDEPENDENT BANKERS ASSOCIATION OF AMERICA

Before the

Committee on Small Business

United States House of Representatives

Honorable John J. LaFalce, Chairman

July 26, 1989

Mr. Chairman, I am Philip Vallandingham, President of the First State Bank in Barboursville, West Virginia. I also serve as President-Elect of the Independent Bankers Association of America, on behalf of whom I am appearing here today. We appreciate the invitation to testify before your Committee.

My bank is heavily involved in small business lending, although we are not ourselves a heavy participant in the SBA loan guarantee program.

Many banks that are members of our Association are major participants in the SBA 7(a) loan guarantee program, and the IBAA strongly supports the SBA loan guarantee program.

We support maintaining the guarantee level on SBA loans insofar as possible at the 90 percent level, rather than reducing the percentage of guarantee below that level. The guaranteed loan program is designed to permit the financing of relatively risky small business credits, and such a focus for the program cannot be maintained if the guarantee level is further and further reduced.

We are concerned that the ultimate result of reductions in the percentage of loan guarantee would be to undermine the integrity of the program. Where the guarantee fee is reduced below 90 percent, a point can be reached where the risk to the lender requires that he make a decision that the loan will stand on its own independently of the guarantee. At that point, payment of a loan guarantee fee may

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not be justified, and the viability of the guarantee program is brought into question. To avoid that, we recommend keeping the loan guarantee program focused on relatively riskier credits, enhanced by a guarantee level of basically 90 percent.

The SBA loan guarantee program has been a good investment for the taxpayer. As SBA Administrator Susan Engeleiter said in a recent interview, the program "has been successful in helping to create many thousands of new jobs in this country."

Unfortunately, due to federal budget restraints, the annual funding level for SBA loan guarantees is down from \$4 billion several years ago to less than \$2.5 billion currently. Apparently, the SBA is increasing its 1990 funding request by \$500 million, to \$2.9 billion. This is an improvement. However, now that there is greater certainty that the SBA will remain in place with its programs continuing, the demand for SBA guarantees is picking up substantially. The demand for loan guarantees by qualified small businesses may exceed \$2.9 billion.

In light of the increasing concern with a slowdown in the economy, it would be unfortunate if funding ceilings on SBA's guaranteed loan program kept small business from helping to limit the slowdown to the "soft landing" that we hear so much about. Since small business development is a major means whereby this country adapts to change and continuously creates new jobs, we should make sure that small businesses have every opportunity to invest as the economy shows signs of slowing.

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Despite all of its strengths, the SBA loan guarantee program has some real limitations that prevent it from being the federal government's response to small business's financing needs. As indicated, one serious limitation is the budget restriction on funding levels.

Another limitation is that the small business sector of the economy cannot sustain its full potential for business and job growth unless there is an established market for small business loans, broader than the coverage of SBA-guaranteed loans, which provides stable access to the capital markets for small business financing.

A third need that is not adequately met involves the opportunity for small businesses to lock in long-term fixed rate financing for the expansion of plant, equipment and other capital items. This opportunity could be particularly important for the financing of existing debt, and might take some pressure off the SBA guaranteed loan program for refinancing purposes. Better access to long-term fixed rate credit might also fill a need for business expansion in rural areas.

There has been some discussion of establishing some kind of secondary market--supplementary to the SBA guarantees--through which portfolio lenders might sell small business loans, thus freeing up lending capacity for other small business financing. If that were done, such an arrangement should be carefully designed so that the market is fully accessible to community banks and other local lenders that work directly with small businesses within communities. We

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believe that working through local lending institutions is the best approach for reaching small businesses that need financing.

Establishing a broader market for small business loans could encourage standardization of loan documents in the small business area. Greater standardization could be very beneficial for the financing of small business over the longer run.

In our view, any broader small business funding mechanism that might be considered should be in addition to a strongly-funded SBA guaranteed loan program. We are extremely pleased that the continued operation of SBA and its programs now seems assured, and consequently we can now work towards strengthening those programs based upon a sound foundation.

Mr. Chairman, this concludes my prepared statement. I would be pleased to respond to any questions.



Statement of
James R. Baird
Vice President for Congressional Relations
National Association of Development Companies
Before The
Committee on Small Business
U.S. House of Representatives
July 26, 1989

Good morning, Mr. Chairman, distinguished members of the Committee, ladies and gentlemen. I want to thank you for the opportunity to appear before you today.

The legislation of which you, Mr. Chairman, were the chief sponsor and which established the SBA 503 program (which later evolved into the 504 program) is now approaching its 10-year anniversary. We agree that it is now a most appropriate time to look at the track record of the program and to determine the program's course in the future, and we most appreciate your leadership in this task.

I am Jim Baird, Vice President of Congressional Relations and immediate past President of NADCO, the National Association

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of Development Companies. NADCO represents the nation's Certified Development Companies which lend money to qualified businesses under the SBA 504 guaranteed loan program.

Our association is currently involved in preparing a detailed report on the 504 program's track record, including program successes, problems, and the opportunities now before us to better serve the nation's small businesses. We will be providing you with copies of this detailed report within the next 30 days.

Today we would like to take a few minutes to provide you with an overview of the issues confronting our industry by summarizing the initial findings and recommendations of that report.

Industry Overview

Since the 503 program's inception in 1980, over 7000 SBA guaranteed 503 and 504 loans have been funded providing over 1.5 billion dollars in SBA 503 and 504 funding to local growing companies. The financing is provided by the nation's 460 Certified Development Companies located throughout the country. Although the primary goal of the 504 program is to assist the nation's small businesses, the program has a special set of objectives and a unique delivery system which set it apart from other general small business assistance programs.

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Economic Development Focus

The 504 program is a targeted economic development program. Every project financed with 504 funds has a tangible economic development benefit to the local economy. The economic development benefit is usually in terms of the creation or retention of a significant number of jobs. Additionally, other viable economic development projects can be financed, such as assistance to exporting firms, assistance to primary manufacturing companies, and assistance to minority-owned companies. The 7000 companies assisted by the 503 and 504 program to-date have retained or created over 100,000 full time permanent private sector jobs as a direct result of the financing.

Financial Leverage

Each 504 project leverages a minimum of 60% of private (non-guaranteed) capital. The overall program's average leverage of 65% to 70% private capital means that the total SBA 503 and 504 fundings to-date of approximately 1.5 billion dollars have leveraged over 3 billion dollars in additional private capital. This means that the 503 and 504 programs have leveraged approximately two dollars of private capital for each one dollar of SBA guaranteed private capital. This leverage ratio is clearly higher than any other federal government guaranteed loan program.

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Portfolio Quality

SBA data shows that of the 7000 loans closed to-date, approximately 2.4% of the loans are currently delinquent by 60 or more days. Because 504 loans are secured by real property, the actual program loss rates would be much lower. As a result, the program has the lowest loss or default rate of any federal government economic development program.

Financial Structure

Because Certified Development Companies are non-profit corporations and because 504 loan fees are limited by regulation, a maximum amount of benefit from the federal government guaranty accrues to the small business concern being assisted.

Program Loan Volume

While in our opinion these factors indicate that the 504 program has an excellent track record, the program is not without its problems.

In fiscal year 1988, for the first time since the 504 program has become established, the 504 loans approved fell far short of funds budgeted and represented only 72.2% of the funds appropriated and authorized for this program (\$332,000,000 vs. \$450,000,000). I will shortly explain why we think this happened. This approval level for fiscal year 1988 was 15% below the approval level for fiscal year 1987.

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Although approximately 1200 businesses were assisted by 504 financings in fiscal year 1988, the loan approval shortfall translates directly into approximately 500 small business concerns that could have been assisted by the 504 program but were not. The industry views this as a major problem but the key question is why did it occur?

The Causes

Although macro-economic factors are always suspect, it does not make sense that they alone would be a major cause of the drop in 504 loan volume in view of the increased spending levels over the same time period in related programs (e.g. the 7A loan program). The industry has identified several issues which we believe are major causes in the decreased approval volume in this valuable program.

Loan Processing

Over the last decade the Small Business Administration has been consciously moving towards requiring the private sector to provide a larger proportion of SBA's small business assistance programs. The best example of this is the Agency's move from a focus on direct lending to a focus on guaranteed lending. However, a similar example exists in terms of the processing of SBA guaranteed loans.

Using the 7A program as an example, there are now three

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classifications of 7A lenders (regular, Certified, and Preferred lenders). Each of these groups represent lenders with different levels of program expertise and track records. In the 7A program, as the track record and expertise of a lender increase, they are allowed a greater degree of authority and streamlining in the lending process in return for a greater degree of program responsibility. This increased authority for CLP and PLP lenders exists not only in the area of loan processing but also in the areas of loan servicing and loan liquidation.

Our industry applauds the CLP and PLP programs as an excellent management strategy which responsibly leverages scarce federal resources and we believe that a similar program should be developed in the 504 program for CDCs with proven expertise and excellent track records.

NADCO has recently submitted a detailed proposal for such a program (currently referred to as the "Accredited Lender Program") to the SBA. We hope that the Agency will support this effort and we look forward to working with them in the program's development.

The 504 Program Job Standard

Since shortly after the 501 program's inception, the 501 and 504 programs have had a regulatory standard requiring the creation and/or retention of at least one job for each \$15,000 of

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504 funds, unless the project satisfies other specific economic development objectives.

NADCO and the CDC industry have a long track record of supporting this standard as an important way of targeting 504 project moneys to bonafide economic development projects.

In recent years, we have heard more complaints from all areas of the country that the \$15,000 per job standard had over time become too strict and was prohibiting CDCs from financing many viable small business economic development projects. Most industry people now believe that this standard has become obsolete and, as a result, it overrestricts program spending and results in the underutilization of the program.

Because of the industry's historic support of the standard, we desired to fully study the issue before making any recommendation for a change of the standard. In the fall of 1988, the Development Company Funding Corporation (the non-profit fiscal agent for the 504 program), with the consent of the Small Business Administration, commissioned a study of this issue. The study is now being completed by Arthur Andersen & Co. and a copy of the executive summary is attached as an exhibit to this testimony. The study found that:

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The current 504 program standard is ... "substantially below the average capital investment per job."

"Of the 9 major industry groups and 60 categories of private industry tracked by the U.S. Department of Commerce ... by 1987 the industry groups with investments of less than \$37,500 per job had fallen to 3 and the categories to just over a dozen."

That because of this, "a significant portion of entrepreneurial projects undertaken in the United States at this time would have difficulty falling within the SBA regulatory standard."

We have recently provided the results of this study to the Small Business Administration and have requested that they examine the study and consider a revision of the current standard.

Regulatory Reform

There are a number of regulatory changes that our Association believes could be made which would substantially reduce unnecessary program restrictions without increasing program costs or hurting program effectiveness in any way.

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We are involved in ongoing discussions with the SBA on these issues and rather than take up your time with this type of detail, our recommendations will be provided to you in our detailed industry study mentioned earlier.

The 504 Program Budget

In fiscal year 1988, the 504 program approvals were \$332,000,000, falling substantially short of the \$450,000,000 mark appropriated for the program.

In the current fiscal year, based on the projected levels of 504 program usage, Congress and the Administration reprogrammed \$85,000,000 from the 504 budget in order to provide badly needed funds for the shortfall being experienced in the 7A program. The adjusted 504 program budget (after reprogramming) for the current fiscal year is \$365,000,000. The SBA estimates that the program will fully utilize this amount of funds this year.

The Administration is proposing a 504 program budget of \$332,000,000 for fiscal year 1990.

We fully support the \$415 million appropriation recently marked up by the House Appropriation Sub-Committee and take it as an expression of congressional confidence in this program.

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The Impact of HUD's CDBG Program Regulations on the 504 Program

As was mentioned previously, CDCs are non-profit corporations formed with local initiative and resources to implement local economic development. Some CDCs act as single purpose SBA 504 lenders, some provide almost every type of federal, state, and private sector business development assistance, and most CDCs fall somewhere within that continuum.

Although some CDCs are self-sufficient entities, most rely in part on funds from local sources, the state or the federal government in order to operate at current levels. Recent data indicates that approximately one quarter of the Certified Development Companies receive financial assistance from HUD's CDBG program for operating funds, and these funds could account for as much as one quarter of all operating funds received by CDCs.

Within the last year, HUD has changed its policy such that if a CDC receives any amount of money from HUD's CDBG program for operating expenses, all projects financed by the CDC must meet all HUD regulations pertaining to low and moderate income job creation and the CDC must provide ongoing documentation of this in a format and volume that is clearly out of scale with a small business financing program.

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Our opinion is that whenever HUD has loan funds directly in a project it should be permitted to apply any of its regulations to that project. However, in the absence of direct financial assistance, we feel that it is inappropriate for HUD to overlay its regulations on a project that includes no HUD funds (e.g. a project funded by a bank loan and a 504 debenture from a Certified Development Company that received a small portion of HUD funds). More importantly, even though it is generally felt that almost all 504 projects actually meet the HUD low/moderate income job creation standard, the documentation requirements of HUD are so burdensome as to make small business financing projects untenable for most CDCs.

The SBA has worked strenuously to try to solve this problem with HUD. However, HUD has not yet been willing to make any changes in their policy. Additionally, there is language contained in the 1988 SBA re-authorization bill which will prohibit CDCs from accepting federal funds from any source after May of 1991 if the source imposes these types of restrictions on the uses of SBA guaranteed loan funds.

Mr. Chairman, we would appreciate any assistance you can give us on this issue. The continuation of CDCG funding for even a limited period of time is of utmost importance to our industry's full delivery of 504 assistance. The CDC industry would like to request that you contact Secretary Kemp to request

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a waiver of HUD's policy for these specific cases. If HUD continues to show unwillingness to compromise, an agreement to permit CDBG to continue to receive CDBG funds without restrictions until the statutory deadline would provide CDG with time necessary to find other funding to replace the CDBG funds.

Conclusion

Our industry has been fortunate to have worked very closely with you and with the Small Business Administration over the last decade. This has enabled us to work together to overcome significant adversity in the past and to improve the program. As you best know, the creation of the 504 program in 1985/86 is an outstanding example of your leadership enabling us to work with Congress and the SBA to continue and to improve a program of substantial benefit to the nation's small businesses. Once again, we have the opportunity to continue and to improve the 504 program and are confident that we can once again count on your leadership and work closely with you and the SBA towards that purpose.

Mr. Chairman, this concludes my prepared testimony. I will be pleased to respond to any questions that you may have.

Date: May 12, 1989

To: U. S. Small Business Administration
 Chuck Hertzberg
 Wayne Foren

From: Mary Jean Ryan
 NADCO Vice President for Technical Issues

Re: Accredited Lender Program for CDCs -
 Proposal Adopted by NADCO Board on 4/26/89

Introduction:

The CDC industry is approaching its tenth year. Most of the 504 volume is done by active CDCs which have excellent working relationships with their respective District Offices. The CDCs which have proven themselves believe that the agency would be well served by allowing a "CLP" type designation for qualified CDCs. The "CLP" designation would allow the CDCs to give the SBCs better service, the agency's work load would decrease substantially and service would improve. The active CDCs believe that their knowledge and track record as SBA lenders rivals that of the best 7(a) lenders and believe they should be accorded similar treatment and recognition.

Over the years the SBA has relied to an increasing extent on lenders to administer and deliver the agency's guaranteed loan programs. In the 7(a) program, the agency analyzes the track record of a given lender's 7(a) loans and can designate a lender a CLP or PLP lender. The following report summarizes the service and discretion the agency provides such lenders as well as the areas of responsibility assumed by the lenders. The report also outlines the proposed CDC model of an Accredited Lender Program.

1) Lender Qualifications and On-Going Performance Requirements:

1(a) CLP

SBA approves CLP lenders based on the credit quality, loan performance, packaging quality and volume of 7(a) loans. District and Region must approve. CLP status is reviewed every 1 - 2 years.

PLP

SBA approves PLP lenders based on their performance as CLP lenders. They must have performed very well for at least two years as a CLP. District, Region, and Central Office must approve. Central Office monitors PLP performance. PLP status is reviewed every 1 - 2 years.

ALP

NADCO is recommending that selected CDCs be granted ALP status based on their historical performance with SBA. Credit quality, portfolio performance and loan volume will be taken into consideration. District and Region must approve. The status would be reviewed every 1 - 2 years.

2) Processing Time Required:

CLP

SBA "guarantees" a three-day turnaround time on CLP loan applications. The three days includes receipt of the loan authorization.

PLP

PLP lenders obligate the agency's guaranty. Once they have made a credit decision they are supposed to send a summary of the key application documents to SBA. Within one day the agency is to secure "funding" for the loan and assign a loan number.

ALP

NADCO is requesting that ALP - CDCs be given a three-day turnaround including the authorization.

3) Processing Responsibilities:

CLP

Submit a complete package
Pre-submit 912's to Central Office
Submit a Credit Report
No draft authorization is required but it is encouraged

PLP

PLPs do their own approval

- Submit abbreviated application to SBA upon approval
- Pre-submit 912's to Central Office
- Do own authorization

ALP

- Submit a complete package
- Submit a draft authorization
- Pre-submit 912 to Central Office
- Submit a credit report

4) Exceptions in Processing:

CLP

- CLP lenders cannot get "CLP" treatment on loans with eligibility issues (e.g. AG loans, non-profits, movie theatres, etc.)
- Questionable 912 forms
- Any apparent conflict of interest
- Some circumstances where the applicant is a current SBA borrower
- Situations involving possible lender preferences
- Loan reconsiderations

PLP

- No loan reducing lender's own exposure
- Conflict of interest
- Questionable eligibility situations
- No loan where lender is an owner in a SBC
- Certain refinance situations
- Certain limitations on existing SBA borrowers
- Questionable 912's

ALP

NADCO proposes to have ALP lenders subject to the same restrictions as CLP and PLP lenders in terms of exceptions in ALP processing.

5) Role in Closing:

CLP

Banks handle the closing entirely. No opinion of SBA counsel is required. No SBA review of documents. SBA does send lender the required forms. Interestingly, regular banks do this too. It is not a function of being a CLP lender.

PLP

PLP lender handles closing. SBA does not send the required forms.

ALP

NADCO proposes to change the 504 closing process to allow the CDC to close the loan without an opinion of SBA counsel being required. The CDC counsel would close the loan following instructions issued by SBA and according to the loan authorization.

6) Servicing and Liquidation:

CLP

CLP, and all participating lenders, can release 20% of collateral, approve assumptions, defer payments up to 20%, and subordinate to a short term L.O.C. in an amount not to exceed 20% of the original loan amount, without SBA approval. Regular lenders and CLP lenders both have considerably more latitude with seasoned loans. Lender can give itself no preferences. SBA tries to keep lender involved in work-outs and in liquidation.

PLP

Handles all servicing and liquidation. Cannot accept a compromise settlement and can't enforce non-discrimination regulations. There are also a few other substantial actions in liquidation which require SBA approval.

ALP

NADCO expects that ALP - CDCs would remain involved with SBA in work-outs and liquidation with authority similar to CLP lenders. ALP servicing discretion would be similar to CLPs (see detailed ALP program outline).

**Proposal to Establish a Certified Development Company
Accredited Lender Program**

Many certified development companies (CDCs) have asked that SBA give consideration to establishing an Accredited Lender Program (ALP) for CDCs meeting selective performance criteria such as:

- 1) Historical 502, 503 and 504 Loan Volume
CDC should be active relative to their respective area standards. SBA would of course recognize the natural volume differences between urban and rural CDCs.
- 2) Portfolio Performance
(Over 90% current)
- 3) Years in Business (At least 3 years)
- 4) Historical and current loan application approval rates (over 90%)
- 5) Overall District Office recommendation to include:
 - a. Completeness of packages submitted,
 - b. CDC staff knowledge of SBA policies and procedures, and
 - c. Servicing capability and performance

ALP status would allow CDCs to receive good processing turnaround time (three days on straightforward and complete loan applications: three days includes credit review, legal review and typing of authorization).

In order to expedite processing, the ALP-CDC will submit a draft authorization, a credit report acceptable to SBA, and will pre-submit 912s.

- 6) In order for CDCs to participate in the streamlined "ALP" closing process outlined herein, the CDC attorney must be experienced in closing 504 loans and must have a track record acceptable to the SBA District Office.

Exceptions to ALP Processing Status

ALP processing status for a particular loan would not be granted in the following situations:

- 1) Questionable character of owners reflected on SBA Statement of Personal History Form 912 (i.e. any "YES" answers).
- 2) Incomplete application submitted.

- 3) Other cases of questionable eligibility or potential conflicts of interest per the CLP program.

Post-Approval/Pre-Loan Closing:

ALP-CDCs could also exercise greater authority in the pre-closing phase of the program. Examples include:

- 1) Prior to closing, the CDC could increase the total project cost as stated in the loan authorization by up to ten percent of the original total project cost figure. This approval would be granted where the SBC absorbs the increase and assumes that the borrower has the necessary cash flow to handle the increase and that all costs included in the increase are eligible project costs. Details on the increased project costs would be forwarded to SBA within five days after approval. Perhaps the boilerplate loan authorization can provide for some flexibility in the total project cost section. Perhaps the phrase "approximate total project cost" can be used.
- 2) Prior to sale of the debenture, the CDC could extend the SBA guaranty to 18 months without SBA approval.
- 3) In cases where collateral in addition to the project assets is taken, the CDC could approve a substitution of this outside collateral if the substitute was of equal or greater value.
- 4) Changes in ownership structure could be approved by the CDC if the alter-ego rule is not violated. EXAMPLE: Frequently, an application will be submitted and approved which is not structured as an alter-ego and then prior to closing the borrowers decide they would like it structured as an alter-ego.
- 5) CDC could approve changes to the authorization such as: typographical errors, name changes (i.e., correct spelling and initials), correct addresses, legal descriptions, etc.

Closing

- A) In order to streamline the 504 closing process, the opinion of SBA district counsel would be eliminated. The SBA district counsel would issue specific closing instructions to the ALP-CDC (e.g., terms of the authorization and any other specific details relevant to closing).

B) The CDC's attorney would close the loan pursuant to the instructions provided and would forward the required documentation, including the CDC's opinion of counsel, to Colson and SBA Central Office in accordance with the national 504 closing schedule. Upon completion of the closing, the CDC would also send copies of the final documents to the District Office.

Servicing

ALP CDCs would be given increased authority in loan servicing. Examples of increased authority include:

- 1) ALP-CDCs could approve collateral releases in an amount equal to 20% of the original loan amount. Approval would only be granted where the business had at least a two-year record of timely loan payments and the SBA would maintain adequate collateral for the outstanding loan balance.
- 2) Approve subordinations (up to 20% of the original loan amount) to increased first mortgages provided that an acceptable collateral position is maintained, repayment ability is demonstrated and the terms of the first mortgage conform to the 503/504 Program requirements.
- 3) Approve substitutions of collateral where no substantive change in collateral value will occur.
- 4) Approve addition of new guarantors.
- 5) Approve changes in ownership when the alter-ego rule will not be violated.
- 6) Approve assumptions of loans where the assumptor is an eligible small business, the assumption increases the likelihood of repayment of the loan, and the original obligor is not released.
- 7) Approve deferrals of up to four payments with repayment to occur within a short period of time (e.g. two years) presuming the private sector lender also agrees to such payment concessions.
- 8) ALP CDCs would also be expected to take an active role (under guidelines similar to the Agency's Pilot CDC liquidation program) in handling any liquidation actions. (The Agency currently has a pilot project in which 10 CDCs are handling liquidation actions according to an SBA-approved liquidation plan. The SBA pays the CDCs for their time and out-of-pocket costs associated with the liquidation.)

9) Other routine "rubberstamp" 327 Actions.

To Apply:

A CDC would submit a letter requesting that they be granted ALP-CDC status to their local SBA District Office. The letter would address each of the stated performance criteria and demonstrate the CDC's eligibility for ALP status. The District and Regional Offices would approve or deny such requests. The requests would normally be processed within 60 days from receipt. A CDC which is denied ALP status by their District and/or Region will be allowed to appeal to Central Office.

Program Guidelines:

NADCO would request that SBA's Office of Economic Development issue a Notice to the Field outlining the ALP Program and application process.

Board Action:

Please send comments in writing to:

Mary Jean Ryan
Executive Director
Evergreen Community Development
Association
2015 Smith Tower
Seattle, WA 98104

ALP



**Development Company
Funding Corporation**

Study of Capital Investment Required for Job Creation

April 1989

**ARTHUR
ANDERSEN
& CO.**

Washington, D.C.

FINDINGS

On the basis of the research summarized above, the following findings emerge.

- o The SBA Regulatory Standard of \$15,000 of capital required for the creation or maintenance of a job, while logical in terms of SBA program administration, creates a standard different from the standard of capital investment per job experienced in ordinary marketplace usage.
- o Since the SBA Section 504 Program provides a 40% to 50% of project cost, in order to arrive at the marketplace capital investment per job, the \$15,000 figure can be multiplied by 2.0 or 2.5, giving an approximation of \$30,000 to \$37,500 per job in terms of the overall project cost.
- o The SBA decision to create its Regulatory Standard of \$15,000 in 1980 was based on the recommendations of consultants, and it is likely that at least one government program (EDA) and State economic development data may have been considered.
- o As to Federal government programs existing at that time (1980) --
 - The Economic Development Agency standard for Public Works Loans (of \$10,000) was not applicable because of a highly special method of calculation.
 - The HUD Urban Development Action Grant program experience, cumulative from 1978 to 1988, reveals an actual ratio of \$62,388 per job created.
 - The HUD Community Block Grant program had no regulatory standard and developed no historical data.

It thus appears that the experience from Federal government programs should be interpreted with care relative to the SBA Section 504 program. The UDAG investment per job figures appear to be more relevant than those of EDA.

- o As to actual marketplace figures, the South Carolina Development Authority's tables for 1980 reflected estimates of capital per job averaging \$104,311 -- \$60,678 per job at new facilities and \$156,654 per job in expanded facilities.
- o From information available now, it can be concluded that the SBA Regulatory Standard set in 1980 was thus substantially below level indicated by contemporaneous economic data.
- o As to price levels, the broadest measure, the Gross National Product Deflator (inflation) rose 41% in the period 1980-1988.
- o As to price levels specifically relevant to development finance, many such items have increased in price by approximately one-third.

- o These indices are consistent with the U. S. Department of Commerce data which indicate that overall capital investment per job rose from \$96,754 in 1980 to \$133,495 in 1987 for all industries nationally, an increase of at least 38% since the SBA Regulatory Standard was established.
- o The SBA has not adjusted its Regulatory Standard since 1980, so that the existing Regulatory Standard is out of date to the extent of appropriate changes for price levels.
- o State figures show a variation between expansion and start-up capital investment requirements, and metropolitan and non-metropolitan investment capital requirements.
- o For the State of Missouri, the 1986 figures for start-ups in non-metropolitan areas, the least capital-intensive categories, were at or beyond the limits of the SBA \$15,000 Regulatory Standard and comparable marketplace levels.
- o In the seven neighboring states to Missouri, the composite capital to job creation/expansion figure was \$65,772 in 1986, well above the applicable SBA \$15,000 Regulatory Standard and comparable marketplace levels.
- o The National Venture Capital Association 1984 data confirm that capital investment per job requirements vary with the stages of business development. For example, investment during common expansion phases of a business (at about the 3-to 6-year age) is more expensive than either the start-up phase or the mature phase. For companies with rapid growth potential, the NVCA found investments of external capital per job of \$48,900 at the 3-year milestone, \$80,600 per job years at year 6, declining thereafter.
- o The Tax Foundation data for investment levels per production workers in manufacturing show one-fourth to one-third increases for the limited period 1981 through 1984. Adjustment of the 1981 and 1984 figures for inflation should be made to align these tabulations with the other indices in this Report.
- o The Department of Commerce figures are the most comprehensive available, and show that, of the nine major industry groups and 60 categories of private industry, only a minority of the industries, fall below the applicable SBA \$15,000 Regulatory Standard. Of the industry groups, in 1980, investment per job in four averaged less than \$37,500 (construction, retail trade, wholesaling and services) while in 1987, wholesaling had dropped out, increasing to \$50,255 per job. Also in 1987, of the 21 manufacturing categories, only three averaged less than \$37,500 investment per job (apparel, furniture and fixtures, and leather). Six of the 11 subcategories within the Service Industry Group (which has an overall

investment per job of \$28,341) average less than \$37,500. Five other service subcategories average considerably above \$37,500, e.g., auto repair -- \$137,225, hotels and other lodgings -- \$88,333, and motion pictures \$64,865).

- o The experience of development professionals has been that there are areas where costs are rising rapidly, compounding the difficulties in meeting the SBA \$15,000 Regulatory Standard, on the basis of the limited examples available during the period of the study.
- o The data gathered in this Report -- from Federal and State governments, private associations and not-for-profit groups -- are consistent in establishing that a significant proportion of the various industry/regional combinations of entrepreneurial development projects in the United States would have difficulties falling within the SBA \$15,000 Regulatory Standard.
- o Since the relevant legislation does not contain a Regulatory Standard, SBA appears to have the ability to re-evaluate its appropriateness and to implement changes.

STATEMENT OF

JOHN HOLTKE
SENIOR VICE PRESIDENT

UNITED KANSAS BANK
MERRIAM, KANSAS

before the
COMMITTEE ON SMALL BUSINESS
UNITED STATES HOUSE OF REPRESENTATIVES

JULY 26, 1989

Mr. Chairman, my name is John Holtke. I am a Senior Vice President with the United Kansas Bank in Merriam, Kansas. Our bank has \$80 million in assets, and we have an outstanding SBA Loan Portfolio of \$20 million. United Kansas Bank has earned the designation as both an SBA Certified and Preferred Lender.

I have been asked here today as a representative of the National Association of Government Guaranteed Lenders, NAGGL for short. NAGGL represents financial institutions, non-bank lenders, broker-dealers, and investors who are active participants in SBA guaranteed loan programs. NAGGL's membership accounts for a significant portion of the 7(a) loans made each year.

I personally have been involved with the Small Business Administration and its lending programs for over 20 years, both as a private banker and as an SBA employee in the Pittsburgh, Pennsylvania, and Kansas City District Offices. I can attest to the fact that the SBA 7(a) loan programs are working quite well and are worthy of, not only continuance, but expansion. The facts are that small businesses cannot access national capital markets, and so must rely on their banks for financing. But for a variety of reasons, banks have a difficult time offering the long term financing needed

by many small businesses. It is the SBA and its loan programs that bridge this capital gap by providing reasonably priced, long-term financing. It is precisely the kind of financing needed by small businesses to help them grow and prosper, create employment, and generate additional tax revenues for the government.

My comments today will focus on the current shortfall of guaranty authority for the 7(a) program, anticipated levels of demand for fiscal year 1990, and recent and pending program changes by the Agency.

We are all aware that the \$2.4 billion appropriation level for the 7(a) program was insufficient to meet lender and borrower demand. There are several reasons for the increase in demand. NAGGL, the small business community, and Congress have saved the SBA from extinction. The SBA has done a fairly good job in improving programs and in convincing lenders that SBA guaranteed lending is a useful and profitable tool. Congress has made many positive program changes such as increasing the guaranty limit to \$750,000 after years of being anchored at \$500,000, and legislating the new international trade program, and the small loan program. And thanks to the efforts of SBA, lenders, broker-dealers and investors, the secondary market is running more

smoothly than in the past. All of these reasons have provided a strong level of confidence in SBA and its products. And when confidence in the Agency rises, so does loan demand.

The real question is what would have been the level of demand had there not been a funding shortage? NAGGL believes that actual volume would have been \$2.8 to \$2.9 billion. It is clear that the \$2.6 billion total of appropriated and reprogrammed funds will be spent. There was a period earlier this fiscal year where SBA limited fund usage in several ways, such as a restriction on use of proceeds for debt refinancing, slowing response times on loan applications, and a general tightening of credit standards. These subjective restrictions caused, in some cases, the delay or cancellation of lender commitments and small business plans, and some loans that would have normally been approved, were denied. NAGGL believes that \$200 to \$300 million of small business borrower demand went unmet.

At a May NAGGL Conference in San Diego, we polled lenders as to their budgeted program levels in 7(a) loans for the remaining five months of 1989, for fiscal year 1990, and their anticipated use of the international trade program. Through a statistical analysis we determined that the current

year demand would be \$2.6 - \$2.9 billion; fiscal year 1990 demand, exclusive of any new programs, would be \$3.0 - \$3.2 billion; and anticipated volume of the new international trade program would be \$166 million to \$208 million. For fiscal year 1990, lender demand in total could be as high as \$3.2 to \$3.4 billion.

Obviously these numbers conflict with budgetary constraints. But these constraints only consider the expense side of the transaction. Obviously, SBA loans are not grants. The loans are being repaid at the same time such things as innovation, job creation, and tax generation are taking place. NAGGL recently paid for an independent nationwide survey of SBA borrowers. The researchers' conclusion was as follows:

Despite continuing criticism of the SBA loan guarantee program, it appears that from the perspective of the borrowers and from the standpoint of positive economic gain for society, the program is providing very positive results. Borrower attitudes toward the SBA lending program are highly favorable; sales, profits, tax payments, and employment figures show healthy compound annual increases. Borrowers also appeared to be quite

pleased with the manner in which SBA guaranteed lenders handled their loan application processes and the actual administration of their loans.

There is a strong likelihood that many of the loans made to small businesses would not have been available in the absence of such a program. The result would be fewer jobs, lower expenditures in the local economies where the businesses are located, reduced tax revenues paid in to local, state, and federal governments, and a general diminished level of economic activity. Individually, businesses such as these do not make much of an impact in the overall GNP output of the United States, but collectively they provide a significant contribution.

The survey indicated that a very positive economic impact was taking place. For instance, on an **average annual growth rate**, Federal taxes were rising 24.3%, state taxes were up 8.3%, profits were up 28.2%, full-time employees up 16.8%, and part-time employees up 160.8%. NAGGL believes that the positive economic benefits created by the SBA and its loan programs far exceed the initial cost of the programs.

SBA has already taken its fair share of budget cuts. Since 1981, the appropriation level is down 40% for the 7(a) program. Since that time SBA has dramatically improved the quality of loans in their portfolio, reducing their average annual loss rate to around 3%. This compares very favorable to the lending industry average of 2%, especially considering the nature of the credits SBA finances.

I encourage this committee to seek out ways to fund the SBA 7(a) program at its level of demand. SBA loans are an investment in the future, and it is clear these investments are reaping many returns. There must be a way to stop viewing all Federal expenditures the same. But rather we should give priority to these items, like SBA, that provide so many rewards.

I was also asked to comment upon the SBA program changes mandated last year by Congress. As I recall, the laws were passed sometime in October, with a requirement that they be implemented within six months. To date, most of these changes have not yet taken place or have been unavailable for usage. For instance, the new regulations on the International Trade Program were published in the Federal Register on June 5, 1989. The NAGGL office called several SBA District Offices on Monday, July 24, 1989 and these

offices were not aware the program was available. The first notice of this change received by NAGGL was in SBA testimony provided this Committee last week. Second, the PLP guaranty percentages have yet to be changed. SBA waited a full six months before even issuing a request for comment, and to date has not yet issued any final regulations. (A copy of the NAGGL response to the SBA request for comment is attached for your information). And finally, the regulations on the Small Loan Program have also not been made available. NAGGL hopes all of these changes will be in full operation in the very near future.

Mr. Chairman, the National Association of Government Guaranteed Lenders appreciates the opportunity to come before this Committee. We urge your continued support of the Agency and its loan programs. I want you to know that NAGGL is looking forward to working with you and the Committee on small business lending issues, and we pledge our active cooperation.

I would be happy to answer any questions that you may have.

National Association of Government Guaranteed Lenders, Inc.

Post Office Box 1988, Stillwater, Oklahoma 74076, (405) 372-2230

Officers**President**

Anthony R. Wilkinson
Stillwater National Bank
Stillwater, Oklahoma
(405) 372-2230

June 16, 1989

Vice President

Gerald D. Smith
Sacramento Commercial Bank
Sacramento, California
(916) 443-4700

Mr. Charles R. Hertzberg
Deputy Associate Administrator for Financial Assistance
U.S. Small Business Administration
1441 L Street NW
Washington D.C. 20416

Vice President

Richard D. Turner
South Shore Bank
Chicago, Illinois
(312) 288-1000

Subject: Request for Comment on PLP Program
Federal Register April 20, 1989; 54 FR 15952

Secretary

John A. Reeves
The Money Store
Investment Corp.
Sacramento, California
(916) 443-1418

Dear Mr. Hertzberg:

Assistant Secretary

Gordon H. Ockersdorf
Mountain Bank
Whitefish, Montana
(406) 862-2551

The Board of Directors of NAGGL has extensively discussed your proposal to eliminate small loans from the PLP program. I am certain that we all believe the results of this proposal are not desired, but are rather grounds for a philosophical discussion of the PLP program itself. Clearly, not having small loans available for PLP procedures is discriminatory to the smaller borrowers, and goes against Congressional desires to spur additional volumes of smaller loans.

Treasurer

W. H. Holke
United Kansas Bank
Merriam, Kansas
(913) 362-5300

In our opinion, there are many reasons why smaller loans should be eligible for higher guaranty percentages. First, this would provide incentives for lenders to make more smaller loans. The smaller loans are typically more expensive credits to handle, and the PLP program is a way for the lender to speed up the processing time and reduce overhead costs. Probably the most important point would be the incentive for your most experienced lenders handling the more difficult smaller credits.

Assistant Treasurer

James F. Whitely
American Pacific State Bank
Sherman Oaks, California
(818) 986-8222

These ideas aside, the lending community simply cannot risk the possibility of not having a PLP option for smaller loans. In some districts, the processing time for CLP loans is so far beyond the contractual three days turnaround, that lenders simply must have PLP available to get the loan processed in a timely fashion so that a borrower can receive appropriate service. Accordingly, NAGGL will support SBA efforts to get a technical correction passed that would set a uniform guaranty percentage of 80% on all PLP loans. NAGGL also encourages SBA to continue reviewing the CLP program in an effort to come up with a plan to ensure that the contractual three day turnaround time on CLP applications is met.

Sincerely,

Anthony R. Wilkinson
